

RENT CONTROL AND HOUSING
IN DELHI

Indian Institute of Public Administration
Centre for Trg. & Res. in Mun. Adm.

by
Abhijit Datta

THE INDIAN INSTITUTE OF PUBLIC ADMINISTRATION
NEW DELHI.

C O N T E N T S

| | <u>Page</u> |
|---|-------------|
| Foreword | i |
| Preface | iv |
| <u>Chapters</u> | |
| 1. Introduction | 1 |
| 2. The Framework of Rent Control | 8 |
| 3. The Survey Results | 20 |
| 4. Rent Control and the Supply of Housing | 50 |
| 5. Rent Control and Investment in Housing | 61 |
| 6. Rent Control and Public Policy | 71 |
| 7. Conclusions | 79 |
| <u>Appendices</u> | |
| A. Questionnaire | 85 |
| B. Statistical Analysis of the Motive for Investing Money in Housing (by K.G. Kurian) | 105 |

FOREWORD

The National Buildings Organisation of the Government of India, which has been taking interest in problems connected with housing in the country and has carried out numerous studies on the subject, sponsored this research work on the effect of rent control on the supply of private housing accommodation in Delhi. That organisation had conducted a similar project for Hyderabad. In regard to Delhi, the project was entrusted to my colleague, Shri Abhijit Datta, Reader in the Centre for Research & Training in Municipal Administration in the Indian Institute of Public Administration. Shri Datta prepared a carefully planned research design for this project in consultation with Dr.C.M. Palvia, Joint Director of the National Buildings Organisation, and carried out investigations on various aspects of the subject in Delhi.

The research design was both penetrating and comprehensive and provided for the study of samples and comparisons at different levels with a view to arriving at reliable conclusions. The field work, thus, entailed a great amount of labour and intelligent application and, luckily, Shri Datta was well assisted by a team of research workers. In the course of these enquiries, Shri Datta was able to obtain valuable assistance and information from the Municipal Corporation of Delhi, New Delhi Municipal Committee, Delhi Cantonment Board, Delhi Development Authority, Rent Controllers' Office, Land & Development Office of the Ministry of Works, Housing & Supply as well as from a large number of voluntary organisations of owners and tenants in Delhi as well as from individuals. The enquiry aroused quite an amount of interest among various sections of the community in Delhi and that in itself was a substantial achievement. For apart from the practical and academic usefulness of such research,

it should also help to activate and educate public opinion.

Prima facie, rent control is a desirable device to give protection to low and middle income families in a situation of housing scarcity and rack-renting. However, the matter is not all that simple. Since the device is a sort of an interference with the free operation of economic forces, certain undesirable results invariably follow from the application of control on rents and unless these are also simultaneously countered, difficulties may and do arise. For instance, tenants might circumvent the provisions of the law to harass landlords or mis-use premises meant for residential use. It also tends, by and large, to create tension and friction between land-lords and tenants - by no means a healthy development for a community. It necessarily brings into existence a considerable, and often cumbersome, administrative machinery not too well-known for efficiency and sometimes prone to corruption. The concomitant judicial machinery also proves bothersome. The net result is a further weakening of the none too pleasant a relationship between the people and the administration. Yet, in the prevailing circumstances, a measure of this kind appears unavoidable and is not just a necessary evil. It is a positive social-welfare measure but fails to provide an answer to the main problem of meeting the housing shortage. If rent control were accompanied by other measures like a simpler and more efficient administrative arrangement, rationing of housing, properly structured property taxation, control of speculation in land and, above all, positive steps to give a fillip to house-construction, particularly by public authorities, much of the criticism of this otherwise salutary measure could be adequately met.

This research has confined itself mainly to a study of the effect of rent-control on house construction in the free market. The general impression is that the prevention of free negotiation of rent between land-lord and tenant would tend to curb investment in private house-building. Mr.Datta's work has gone into this point with painstaking pursuit of the truth as evinced by the facts thrown up by field investigations, and his conclusions are at once refreshing and illuminating. Unavoidably, and fortunately, he has had to look into a number of allied matters which are relevant to the study and I particularly commend his observations on public policy.

I have written this fore-word with much pleasure as it is a valuable contribution on the important subject of housing and will be read with profit by politicians and administrators alike. The National Buildings Organisation deserves to be congratulated for having chosen this subject for a comprehensive and analytical study and thanked for having provided unstinted cooperation and funds for this project.

November 27, 1968

G. Mukharji

PREFACE

The report arises out of a research assignment from the National Buildings Organisation (NBO) last year on the subject, "Production of housing as a result of control and decontrol of rent in Delhi." Similar studies have been commissioned by the NBO in the other metropolitan cities of Calcutta, Bombay and Madras. The study consists essentially of conducting a sample survey of house owners and tenants in urban Delhi during the 15-year period 1951-65. The terms of reference of the study were limited to the examination of the various effects of rent control on the construction of housing in the private sector, and as such, we could not go into the various other interesting and important aspects of the housing situation in the capital. It is to be hoped that further studies, for which a plea has been made in the concluding chapter, would be conducted to reduce the area of ignorance and help in the formulation of a national policy in this neglected sphere of public activity.

The project was guided by a small advisory committee consisting of Dr.J.N. Khosla, Director of IIPA, Prof.G. Mukharji, Director of IIPA's Centre for Municipal Administration, Prof. I.R. Vagale, Head of the Department of Planning in the School of Planning and Architecture, Shri S.S.B. Raghavan, Joint Director (Housing) in the Planning Commission and Dr.C.M. Palvia, Joint Director (Socio Economic), National Buildings Organisation. Valuable comments on the draft report were also made by Shri S.G. Bose Mallick, Vice-Chairman, Delhi Development Authority. To all of them the author is beholden with a deep sense of gratitude. Prof. Mukharji and Dr.Palvia took personal interest in the project and inspired the author during its various stages.

The research staff engaged in the project, especially S/Shri K.G. Kurian, Mohan Advani, D.P. Roy and K.S. Mathew, have worked hard to complete the survey under difficult and challenging circumstances. To Shri J.C. Tewari goes the credit of typing the report quickly and accurately.

The author is grateful to Prof. G. Mukharji for readily agreeing to contribute a Foreword to this study. Professor Mukharji happened to be the Vice-Chairman, Delhi Development Authority at a time when the Master Plan for Delhi was under preparation, and more recently, he has been the Chairman, U.P. Housing and Development Board. In both these capacities he had intimate involvement in the planning and execution of public housing schemes in Delhi and Uttar Pradesh. It is, therefore, in the fitness of things that the prefatory remarks should come from him.

November, 1968

A.D.

Chapter 1

INTRODUCTION

General Background

The first rent control legislation in India was introduced immediately after the First World War and by the end of the Second World War all the major cities and towns in the country were covered by rent control measures. The rent control Acts in the various States and Territories were introduced primarily to provide relief to the tenants against the demand of exorbitant rent and indiscriminate eviction by the landlords due to scarcity of houses in the urban areas. Yet, rent restrictions have some undesirable effects as well. The landlords incline to consider that the restrictive measures of the rent control Acts render their position insecure in so far as their operation deny them the freedom of choice of the tenants and the liberty to fix the term of tenancy. It is sometimes argued that, owing to rent control, it becomes difficult for the landlords to earn adequate returns on their investments and the increase in the cost of maintenance resulting in the neglect by the landlords to undertake adequate repairs and maintenance of the houses subject to rent control. Cullingworth has succinctly summarised the alleged disadvantages of rent control as follows:

- "1. It reduces the ability and the incentive to landlords to maintain their property in good condition.
2. It inflates demand and leads to a mal-utilisation of housing space.
3. It reduces the supply of rented housing by retarding new construction of houses to let, by discouraging conversions and sub-letting, and by the artificial incentive it gives to landlords to sell vacated houses to owner-occupiers.
4. It concentrates effective demand on houses for sale, thereby artificially raising sale prices.

5. It hampers mobility of labour.
6. It produces great injustices not only between the landlords and other investors, but also between tenants whose rents have been controlled at different dates, and between the tenants of controlled and uncontrolled houses."¹

The control of rents is a delicate problem where the interests of both the tenants and landlords have to be protected by curbing undue profiteering on the one hand, and, at the same time, ensuring a reasonable return to the landlords on their investments. Rent policies adopted in the western countries in recent years have been oriented to these goals. In some of the western countries, there has been a continuing liberalisation of rent policy and allowing rent increases leading towards eventual abolition of rent control. For instance, in most of the Western European countries rents of old houses have been progressively increased, the scope of rent control reduced, and the upward adjustment of old rents has been regarded as inevitable. In the United States, public policy is generally opposed to rent control, which is considered as an unnecessary interference with free market mechanism, although in the State of New York there continues to be a limited rent control.

Although rent control is in operation in India for the last 50 years, very few official committees have examined the problems created by these measures. However, only two committees, one on Madras and the other on Delhi, made passing references to rent control in their reports on housing and town planning respectively.²

-
1. J.B. Cullingworth, Housing in Transition: A Case Study in the City of Lancaster, 1958-1962; London, 1963, p.5.
 2. Report of the Madras Provincial Housing Committee. Government of Madras, 1948, p.16; and Report of the Delhi Improvement Trust Enquiry Committee, 1951 (Volume II, Interim Report), pp.22-3.

The Madras Committee thought that rent control "benefited only the older population, stabilising them in their homes and protecting them accommodation. The landlords were inclined to consider, that the measures of control rendered their position insecure, in so far as their operation denied them the freedom of choice of their tenants and the liberty to fix the terms of tenancy. It prevented them from availing themselves of the operation of the law of supply and demand and earning an equitable increase commensurate with their other expenses which had increased considerably. Disputes between the landlords and the tenants and the large increase in the cost of upkeep often lead to indifference on the part of the former resulting in the houses falling into a state of disrepair."

The Delhi Committee considered that the fair rent prescribed for newly constructed premises ($7\frac{1}{2}\%$ of investment all inclusive), under the Delhi and Ajmer-Merwara Act, 1947, to be inadequate and recommended that new constructions "should be exempt from the operation of the Rent Control Act." This, the Committee thought, would "mobilise private investment and give a tremendous fillip to housing activity and it is certain that with the operation of the economic forces of supply and demand rents will find a reasonable level."

Realising the importance of the problems, the National Buildings Organisation (NBO) decided to sponsor research on the effect of rent control on the supply of private housing accommodation. At the instance of NBO, the Indian Institute of Economics, Hyderabad, prepared a study for Hyderabad city in 1966. After the completion of the Hyderabad study, the NBO sponsored similar studies in the four metropolitan cities in India - Calcutta, Bombay, Madras and Delhi on an identical frame and with a common set of questionnaire. These studies were

entrusted to local research institutions, and the Delhi part of the project was entrusted to the Indian Institute of Public Administration, New Delhi. It was thought that once basic studies in the metropolitan cities are completed, it would be possible to compile an all-India picture on the subject.

Scope and Coverage

(a) Scope: The scope of the research was defined by the NBC in the following terms:

- "(i) to evaluate the effect of control/decontrol of rent on the production of housing,
- (ii) to determine whether or not rent control should be introduced, and
- (iii) if the rent control is to be introduced, to determine the model provisions of rent control along with built-in flexibility for modifying the existing rent control laws and to evolve a suitable administrative machinery for effective enforcement of the rent control."

In other words, the study was limited to the effect of rent control on the production of residential houses, although there could be other effects of rent control from the distributive points of view.

Necessarily, the study was focussed on the following issues:

- (a) What are the repercussions of rent control on the residential building activity?
- (b) What should be the criteria for fixing rents under control?
- (c) What circumstances warrant upward or downward revision of rents so fixed, and the extent of such revisions?
- (d) Whether such revisions should be phased over a period of time or only at a point of time?
- (e) Should these revisions be related to some indices of the state of the economy or a particular sector of it, viz., the consumer price index, index of profitability, index of fixed deposit rate, index of building cost, etc?
- (f) How to mitigate the hardship that arises from widespread increase of rents?

These questions obviously are only illustrative and not exhaustive and these have been formulated in order that the purpose of the study is better appreciated.

(b) Coverage: The coverage of the study includes all private residential houses constructed during 1951 to 1965, both years inclusive, in the areas of Delhi covered by the rent control legislation. This includes the areas under the New Delhi Municipal Committee, Delhi Cantonment, and the urban areas of the Municipal Corporation of Delhi.

Sampling Particulars

It was decided to draw a simple random sample of 200 private houses constructed during 1951-65 from the area covered by the rent control Act in Delhi. It was realised that the sampling frame was to be constructed from the records of building permits issued by the three local government authorities in Delhi including the zonal offices of the Corporation. The owners of the sampled houses and the tenants living there were to be interviewed. In case the number of tenants in these houses was more than 200, a sample of 200 tenants was to be drawn from a separate list of tenants in the selected houses, with the restriction that only one tenant was to be taken from each of the houses where the owner had been interviewed.

In order to counteract the problem of non-response, it was decided to draw a slightly larger sample than was actually needed. The bigger sample was divided into two lists - one of 200 and the other of substitutes (100). When any number was missing from the main list, the substitute was selected from the second list at random.

Methodology

The study was conducted by interviewing the house owners and tenants in Delhi by sending trained investigators with the help of detailed questionnaire. The questionnaire was divided into two parts: (a) owners' schedule, and (b) tenants' schedule. The survey work took about six months and in all 167 house owners and 109 tenants responded.

Apart from the sample survey of residential construction during 1951-1965, key personnel connected with rent control administration and the judiciary were interviewed and their official records examined. Meetings were arranged with the landlords' and the tenants' associations and a few memoranda were received from them.

The major sources of information on the project were as follows:

- (a) Primary sources: replies from the questionnaire; discussions with key personnel connected with rent control and other related aspects, along with their official records; and
- (b) Secondary sources: public documents including the census, National Sample Survey reports, the demographic survey of Delhi sponsored by the Research Programme Committee of the Planning Commission and other research findings and statistical information.

The study started from April, 1967 and was completed by the end of March, 1968. About 3 months were spent in collecting necessary information for the sampling frame and another 3 weeks were needed to complete the inventory and drawing of samples. Actual interviewing the respondents took about $5\frac{1}{2}$ months and ended in December 1967. The next 3 months were spent in coding the questionnaire, scoring of responses, punching of cards, tabulation and processing of the data, etc. Preliminary drafting of the report started in March 1968.

Plan of the Report

The report consists of seven chapters, including the present introduction. The second chapter deals with the legal framework of rent control. This is followed by a chapter on the survey results. The next two chapters deal with the supply of residential housing and investment in housing. The sixth chapter discusses the policy issues relating to rent control. The concluding chapter discusses a few partial attempts at reform and ends up with a plea for further information and research.

Chapter 2

THE FRAMEWORK OF RENT CONTROL

Historical Background

The earliest legislation on rent control in India was enacted for Bombay in 1918, followed by similar legislations for Calcutta and Rangoon in 1920. The corresponding British legislation came into operation in 1915 - only three years prior to the Bombay Act. All these Acts, born out of the inflationary aftermath of the first World War, were conceived as purely temporary measures.

The first rent control measure in Delhi came after the outbreak of the Second World War in 1939 under the Defence of India Rules. This was restricted to New Delhi and the Notified Area, Civil Station. Thereafter, in 1942, the provisions of the Punjab Urban Rent Restriction Act, 1941 was made applicable to the remaining areas of Delhi. However, the provisions of the Punjab Act were soon found wanting and this was supplemented by another Order under the Defence of India Rules in 1944. After the War, another comprehensive legislation was passed for all parts of Delhi - the Delhi & Ajmer Marwara Rent Control Act, 1947. In 1952, a repealing legislation, called the Delhi & Ajmer Rent Control Act, was passed which substituted the old Act and ceased the application of rent Acts of other States to certain parts of Delhi. Another attempt at rent control was made in 1956 to plug certain loopholes of the 1952 Act. In the same year, the Slum Areas (Improvement and Clearance) Act was passed which sought to protect the interests of the slum dwellers. The next comprehensive enactment on rent control in Delhi was passed in 1958 and came into force on February 9, 1959.

The Delhi Rent Control Act, 1958, is the current legislation on rent control in operation in Delhi and it extends to the areas

included within the New Delhi Municipal Committee and the Delhi Cantonment Board, together with the urban areas of the Municipal Corporation of Delhi. Provision, however, exists to extend the Act to other areas or to exclude any present area from the operation of the Act by the Central Government through notification in the official gazette. The main objects of the Act, as enumerated in the Bill are as follows:

- "(a) to devise a suitable machinery for expeditions adjudication of proceedings between landlords and tenants;
- (b) to provide for the determination of the standard rent payable by tenants of various categories of premises, and at the same time, provide incentive for keeping the existing houses in good repairs, and for further investment in house construction, and
- (c) to give tenants a larger measure of protection against eviction."

The Act includes provisions on rent, control of eviction of tenants, deposit of rent, hotels and lodging houses, appointment of controllers including their powers and functions, appeals, special obligations on landlords, penalties, and certain other miscellaneous provisions. The rent control laws are not self-contained or consolidated legislations, but are in addition to the provisions of general laws on transfer of property, registration, stamp duty, etc. Therefore, the provisions of special laws, such as rent control, come into operation where the general law ends or is silent. A landlord, for instance, has to comply both with the provisions of Rent Control Act and the Transfer of Property Act. Similarly, a landlord has the right to sue in general law as well as under any special law.

There are instances where Rent Control Act comes into conflict with the provisions of the Transfer of Property Act. For instance, under the Transfer of Property Act, premium is the price or

consideration for lease, while the Rent Control Acts clearly prohibit the taking of premium. Again, the Rent Control Acts do not permit sub-letting without the written consent of the landlord, while under the general law the tenant has the right of sub-letting, subject to contract to the contrary. Similarly, the definitions of landlord, tenant, premises, rent, etc. are different in the Transfer of Property Act compared to the rent control legislations. The general law covers lease and is not directly concerned with "land-lords" and "tenants". The term lease extends to land and buildings, whether residential or not. The rent control legislation, on the other hand, is confined to residential accommodation and includes furniture and other amenities as well.

The express provisions of the Indian Constitution under Article 254(2) as well as the rule of interpretation of statutes resolve any conflict between general and special laws by giving precedence to the latter over the former.

Substantive Provisions

The main provisions of rent control legislations in India cover the following four aspects, viz, (a) standard rent; (b) eviction of tenants, (c) control of letting, and (d) obligations and duties of the landlord. We shall take up these aspects for discussion and analyse the provisions of the Delhi Act in this connection.

(a) Standard rent: The Delhi Act defines "standard" rent in terms of two principles:

- I. Rent prevalent during any basic year and permitted increase; and
- II. Percentage on the cost of construction and cost of land.

The detailed mode of determination may be clarified through the following Table:

Table 2.1

MODE OF DETERMINATION OF STANDARD RENT

I. Prescribed basic year
with permitted increase

| <u>Period Rented</u> | <u>Annual Rent Covered</u> | <u>Rent Authorised</u> |
|------------------------|---|---|
| 1. Before June 2, 1944 | i) Rs.600 or less | Rent as in June, 1944 |
| | ii) Above Rs.600 | Rent plus 10% |
| 2. After June 2, 1944 | i) Rs.1200 or less | As established before |
| | a) Previously controlled ii) Above Rs.1200 | Rent plus 10% |
| | b) Not previously controlled i) Rs.1200 or less | Return of $7\frac{1}{2}\%$ over cost of construction and the market price of land |
| | ii) Above Rs.1200 | Return of $8\frac{1}{4}\%$ over cost of construction and the market price of land |

II. Percentage on cost of
construction and
cost of land

| | |
|---|--|
| 1. Between June 29, 1951 and June 8, 1955 | If rented, rent as of March, 1958. If not rented before, when last let out, for 7 years after construction |
| 2. On or after June 9, 1955 | For 5 years after construction, rent agreed upon when first let. Afterwards as fixed by the Rent Controller on application from the landlord or the tenant |

The landlord can not charge from the tenant rent in excess of the standard rent and can not claim or receive unlawful charges. Lawful increase in rent is permissible in cases involving any improvement, addition, or structural alteration in the premises by giving a notice of 30 days. The standard rent as well as an interim rent is fixed by the Rent Controller. A tenant can get his rent fixed by the Rent Controller within a period of 2 years of occupancy.

The determination and award of standard rent by the Rent Controller operates in rem in Delhi, and not in personam. This is the settled principle under English law, but in India there seems to be a difference of opinion on this point in the judgements delivered by different High Courts and till the issue is settled by the Supreme Court, the principle cannot be made applicable for the country as a whole. However, one point is clear. The determination of standard rent is made on the basis of certain criteria laid down in the Act which takes into account the conditions of the accommodation, and other related matters. The disputing parties can not contract out of the statutory provisions in this regard.

(b) Eviction of tenants: One of the major objects of rent control legislation is to give protection to the tenants against eviction by the landlords. Accordingly, the Delhi Act makes an elaborate list of the grounds, legally valid, for evicting statutory tenants. For instance, a tenant can be evicted if he does not deposit rent for more than two months, if he sub-lets the house without obtaining lawful consent of the landlord, if he uses the building for any purpose other than for which the building was let out, or if the building is required for the bonafide use of the landlord. In case the landlord gets the building vacated for

his personal use, he is debarred from letting it out again within a period of 3 years.

Most of these grounds for eviction, however, are hemmed with further restrictive clauses. However, it seems that the Acts of other States mention other grounds as well. For instance, the Acts of Assam, Bihar, Madhya Pradesh and West Bengal provide that if a tenant commits default of payment in rent, any subsequent payment or tender of any compliance would not stand as a remedy for such default. Similarly, the Acts of Bombay, Madhya Pradesh, Madras, West Bengal and Mysore provide for eviction of tenants, if they use the premises for illegal or immoral purposes. Again all other Acts, except those of Bihar, Kerala and Orissa make nuisance as a ground for eviction.

There are certain other complications arising out of the 'non-obstantate' clause (i.e., notwithstanding anything to the contrary in any other law or contract) in the provisos to the grounds for eviction in the Rent Control Act, which brings in the restrictions of other allied legislations like the Transfer of Property Act and the Slum Areas (Improvement and Development) Act to bear on the landlord. Again, the 'non-obstantate' clauses of two special legislations, like the Rent Control Act and the Slum Areas Act, are mutually conflicting with each other.

(c) Control of letting: The provisions on control of letting under the Delhi Act apply only to the premises in New Delhi area before municipal reorganisation in 1958, and whose standard rent is not less than Rs.2400 per annum. The Delhi Act provides for compulsory lease or acquisition by the Government for allotment to government offices and their staff, embassies and embassy personnel, and other institutions. The landlord is obliged to give intimation to the Estate Officer about any

vacancy of the premises within 7 days, unless these are required for the use and occupation by the landlord. The Estate Officer may send a notice of requisition of the premises within 7 days of the delivery of the landlord's notice. If, however, no notice for requisition is issued by the Estate Officer within the stipulated time, the Government would pay a week's rent to the landlord as compensation.

Essentially, therefore, the Delhi Act creates a compulsory lease with the Government, while in other Acts a deemed tenancy is created between the landlord and an allottee. This may also be viewed as a kind of requisition of estate by the Government and the landlord has no direct relationship with the allottee. Other Acts provide for the regulation of letting and prevent the owners from denying accommodation to persons specified. Most of the provisions in other Acts regarding the landlord's wishes and preferences as to the type of tenants to whom accommodation could be provided may not be really necessary in Delhi.

(d) Obligations and duties of the landlord: The obligations and duties of the landlords may be divided into three parts: (i) the obligation to maintain essential supplies and services, (ii) to keep the premises in good and tenantable repairs, and (iii) the duty to give receipt of rent. Specific penalties are also incorporated in the rent control legislations for violation of such obligation and duties. When some of the offences come within the purview of a general law, both remedies are available. But for the same offence, a person cannot be tried twice. For instance, withholding the essential supply of water or electricity falls within the meaning of 'mischief' under the Indian Penal Code and is punishable as such. Similarly, the Rent Control Act also provides specific remedies against such action. It is upto the aggrieved party to choose which remedy to seek.

Along with the duty of the landlord, certain corresponding duties of the tenants are also implied and these are subsumed under the proviso to the landlords' actions indicated as "without just or sufficient cause." Other duties of the tenant which are more serious in nature are sufficient grounds for eviction, and these are spelt out in detail in the Act.

The Delhi Act divides repairs into two categories: (i) ordinary repairs, and (ii) repairs to make the premises habitable. Ordinary repairs can be carried out by the tenant within a reasonable time after serving notice to the landlord and spending upto a maximum of one month's rent. However, the second type of repairs can be carried out only with the permission of the Rent Controller and the maximum amount that can be spent on such repairs is the equivalent of 6 months' rent, unless the tenant is willing to bear any excess expenditure.

The obligation to issue receipt of rent is provided so as to prevent any fraud by the landlord by recovering rent twice from the tenants. The defaulting landlord is liable to pay damages together with issue of the certificate of payment to the tenant.

Equity and Adequacy

(a) Equity: From the point of view of equity, the first issue that needs emphasis is that rent control legislation puts curbs and restrictions on the right of the landlord to the enjoyment of his property. Because of this built-in bias in the legislation in favour of the tenants, equity demands that the benefit of doubt should go to the landlords. In this way, the courts or authorities might help to restore the balance between two opposing interests in the society. However, the freedom of the rent control authorities is limited in this regard owing to the explicit provisions of law, even when these are prima facie unreasonable.

For instance, the tenants enjoy the protection of both the general law on transfer of property and the special law on rent control; similarly, the landlords suffer disabilities on both counts. It stands to reason that if rent control legislation is to be given precedence over general law, the tenants need not be protected twice over.

The second type of inequity between the landlords and tenants arises because individual circumstances are not taken into account. Among the owner-occupiers who are forced to let out a portion of their houses in the absence of any alternative source of income, are put to special hardship. On the other hand, in the absence of a total quantitative allocation of house space according to family needs, there is no guarantee that the poorer tenants are assured of a minimum floor space.

The third type of inequity created by rent control legislation affects the landlords inter se, in relation to the date of construction of houses. In Delhi, as we have seen, before 1951 rent level is frozen as of 1944 plus permitted increase; and after 1951 a rent holiday period of 5 to 7 years, followed by determination of rent as a percentage of cost is prescribed. This operates harshly on the owners of old properties.

The fourth form of inequity arises due to the operation of the Slum Areas Act, which prevents landlords to evict tenants living in slums, even when the premises are required for demolition or improvement at the owners' cost. Incidentally, the whole of old Delhi (walled city) has been declared as a "slum area" and the house owners in that part of the city are put to special disadvantage vis-a-vis house owners of other areas.

The fifth form of inequity arising out of rent control legislation relates to investors in real estate as against investors in

other forms of investment. Perhaps this kind of discrimination is unintended and efforts are made not to discourage new investment in housing by providing rent holiday period. However, the fact remains that because of control on the rate of return as also on housing space through requisition, past investors in housing are discriminated against.

The sixth or last type of inequity created by rent control operates among the tenants inter se. Old tenants are protected more than the the newer ones. More specifically, rent control operates to the disadvantage of newly married couples, immigrants to the city and also tenants who have to shift their residence from one locality to another.

(b) Adequacy: Not enough thought has been given as to how to determine the standard rent in relation to the changing circumstances and the quality of accommodation. There is thus a need to keep this aspect continually under review and, at the same time, to adopt a particular formula for a reasonable length of time. Without such a device for periodical reassessment of reasonable return on investment in housing, it is unrealistic to expect that private investment in housing would take place as desired or deterioration in existing houses would not set in.

The existing method of calculating standard rent does not take into account the annual outgoings of the landlords to maintain his property. Under the income tax law, permissible deductions from income from house property includes the cost of repair ($1/6$ of annual value), interest on mortgage or other loan, amount of annual charge of revenue nature, amount of ground rent, land revenue, vacancy remission, unrealised rent, etc., provided the total deductions do not exceed the annual value of the property.¹

1. Section 24 of the Indian Income-tax Act, 1961.

The existing rent control legislation is heavily tenant-oriented and care should be taken to ensure that they are not protected unnecessarily or, more positively, they are made to suffer for their misdeeds. Unless this is ensured, not only this would lead to avoidable conflicts, but also undermine people's respect for law.

Another defect of the rent control law is that in case of compulsory requisition of accommodation by the Estate Officer, the landlord is not given an opportunity to indicate the type of allottee, or kind of use. It is possible to ensure that if the landlord objects to his house being used for a particular purpose, such objection should at least be heard. As long as the ownership title vests in the landlord, he must be consulted as to the use of his property.

Modifications in Law

In the light of the foregoing discussion, the following modifications in rent control law at present in force in Delhi are suggested for possible incorporation in the statute:-

1. Tenants are protected against eviction both by the rent control law and by the law on transfer of property (A.I.R. 1967, S.C. 1419). This should be modified to ensure that the tenants are not protected twice over.
2. Where the 'non obstantate' classes of two special Acts, on rent control and slum areas, are conflicting, efforts should be made to indicate in the body of the legislation, which special Act would predominate.
3. The determination of 'fair' or 'standard' rent should be related to (i) a classification of the existing housing stock in terms of quality, (ii) the general price level, and (iii) the state of the money market.
4. Determination of 'standard' rent should take into account the annual charges on property as in the case of income tax law.
5. The Delhi Act should include the use of the premises for illegal or immoral purposes or causing nuisance by the tenants as valid grounds of eviction.

6. The present restrictions imposed by the Slum Areas Act on eviction should be modified to encourage the landlords to invest in these areas for improvement or redevelopment.
7. Provisions should be made for a penal rate of interest for defaulting the payment of rent and damages for wilfully holding accommodation by an ex-tenant.
8. Rent control legislation should take into account the economic circumstances of the landlords and tenants and vary the degree of control accordingly.
9. In case of compulsory requisition, the landlords' preferences as to the type of allottee or kind of use should be considered.
10. Assuming rent control to be a temporary measure, efforts should be made to liberalise its provisions by specifying the conditions under which it would be terminated, either wholly or partially.

Chapter 3

THE SURVEY RESULTS

Housing Particulars

The information collected from the house owners and tenants regarding housing particulars varies considerably. The questions directed towards the house owners mainly centered around the return on investment, type of tenancy, and the sources of finance, opinion on the factors affecting housing activities, etc. On the other hand, the tenants were asked questions about the number of rooms occupied, including the total floor area, level of rent, size of the tenants' household, and so on. Information was scanty and unreliable on the question of the tenants' income, but detailed information could be collected about their occupation. Both the house owners and the tenants were asked to indicate whether they preferred rental or lease-hold tenancy.

Starting from the common ground of the house owners' and tenants' preferences for the type of tenancy we have the following information:

Table 3.1

| <u>PREFERENCES FOR THE TYPE OF TENANCY</u> | | | | |
|--|-------------------------|----------|-------------------------|----------|
| <u>Type of Tenancy</u> | <u>House Owners</u> | | <u>Tenants</u> | |
| | <u>No. of Schedules</u> | <u>%</u> | <u>No. of Schedules</u> | <u>%</u> |
| Lease | 23 | 13.8 | 10 | 5.9 |
| Annual rental | 5 | 2.9 | 4 | 2.4 |
| Monthly rental | 93 | 55.8 | 155 | 91.7 |
| Not ascertained | 46 | 27.5 | - | - |
| Total | 167 | 100.0 | 169 | 100.0 |

From Table 3.1, it is clear that an overwhelming proportion of the tenants and slightly more than half the house owners prefer monthly rental arrangements. About 14% of the house owners, as against about 6% of the tenants prefer leasehold tenancy. The house owners prefer lease arrangements because of the assurance of regular payment of rent. They tend to think that once a lease agreement is finalised, it might be easier to terminate tenancy after the lease period is over. They also prefer lease because of the stability of the tenant. The few tenants who prefer lease do so because of the lower rate of rent compared to monthly or annual rental. The clear choice of monthly rental by the tenants indicates a large proportion of salaried employment among them and a somewhat lower economic status compared to the house owners.

(a) House Owners: We now take up the answers of the house owners to the question of net return on investment and relate these to the year of construction.

Table 3.2

NET RETURN BY YEAR OF CONSTRUCTION

| Net Return on investment | | | <u>Year of Construction</u> | | | | |
|-----------------------------|---|-------|-----------------------------|------------|------------|--------------------|----------|
| | | | 1951-55 | 1956-60 | 1961-65 | 1951-65 (Total) | |
| <u>Percentages</u> | | | <u>No.</u> | <u>No.</u> | <u>No.</u> | <u>No.</u> | <u>%</u> |
| More than | | upto | | | | | |
| 0 | - | 5 | 4 | 6 | 27 | 37 | 45.1 |
| 5 | - | 10 | 6 | 5 | 21 | 32 | 39.0 |
| 10 | - | 15 | - | 1 | 7 | 8 | 9.8 |
| 15 | - | Above | - | - | 5 | 5 | 6.1 |
| Total | | | 10 | 12 | 60 | 82 | 100.0 |

Out of 167 house owners interviewed, only 82 were landlords, who furnished information regarding the net return to their investment on housing. From Table 3.2, it appears that the net return is low till the rent control holiday period which started in 1961, but even during the last 5 years, the majority of the house owners were receiving a net return of 10% and less. Compared to the initial 5 years, the next 5 year period saw a slight decline in the rate of return. The most striking aspect of the Table is that about 45% of the house owners had a rate of net return between 0-5%, and another 39% received net return between 5-10%. It is useful, at this stage, to look into the purpose for which houses were constructed, inasmuch as it would reveal the position of complete tenancy holdings more clearly.

Table 3.3

NET RETURN IN TERMS OF PURPOSE OF
CONSTRUCTION

| Net Return on Investment | | | <u>Purpose of Construction</u> | | | | Total |
|-----------------------------|---|-------|--------------------------------|-------|---------------------|-------|-------|
| | | | Partial Occupancy | | Complete tenancy | | |
| Percentages | | | No. | % | No. | % | No. |
| More than | | Upto | | | | | |
| 0 | - | 5 | 36 | 51.5 | - | - | 36 |
| 5 | - | 10 | 26 | 37.1 | 7 | 58.3 | 33 |
| 10 | - | 15 | 6 | 8.6 | 2 | 16.7 | 8 |
| 15 | - | Above | 2 | 2.8 | 3 | 25.0 | 5 |
| Total | | | 70 | 100.0 | 12 | 100.0 | 82 |

Table 3.3 resolves the puzzle of abnormally low net return and shows that about 58% of the house owners who had their houses let on complete tenancy basis had a return of 5-10%, followed by about 17% owners within the range of 10-15% return, and the rest 25% owners having more than 15% return. It follows that with respect to the partially occupied houses the figures throw some doubt. It is possible that the reported investment and/or annual expenses have not been apportioned correctly between the owner and the occupier. Either investment or expenses or both have been overestimated. Not much reliance can, therefore, be placed on the partially occupied house returns. On the other hand, necessary information on the tenancy households could be obtained only for 12 respondents out of a total sample of 200 - a mere 6%.

We now look into the type of tenancy and arrange it over the 15-year period to see the result.

Table 3.4

TYPE OF TENANCY BY PERIOD OF CONSTRUCTION

| Type of Tenancy | <u>Year of Construction</u> | | | | | | Total (1951-65) |
|--------------------|-----------------------------|----------|------------|----------|------------|----------|--------------------|
| | 1951-55 | | 1956-60 | | 1961-65 | | |
| | <u>No.</u> | <u>%</u> | <u>No.</u> | <u>%</u> | <u>No.</u> | <u>%</u> | <u>No.</u> |
| Partial Occupancy | 9 | 90.0 | 11 | 91.6 | 50 | 83.3 | 70 |
| Complete tenancy | 1 | 10.0 | 1 | 8.4 | 10 | 16.7 | 12 |
| Total | 10 | 100.0 | 12 | 100.0 | 60 | 100.0 | 82 |

Table 3.4 shows that although the total number of houses for tenancy have increased by more than six times, the relative share between partial and complete tenancy has not changed. The broad conclusion that follows from the above Table is that the majority of house owners prefer to have only partial tenancy, and housing is still not regarded as a completely business proposition in Delhi. However, the rate of increase in complete tenancy is much faster, more than ten times, than that of partial tenancy, an increase of more than four times over the 15-year period.

We are now in a position to tabulate the summary of our findings on net return, type of tenancy and year of construction collected from the landlords which we present below in Table 3.5.

Table 3.5

NET RETURN, TYPE OF TENANCY AND
PERIOD OF CONSTRUCTION
(Number of schedules)

| Year of Construction | Net Return in Percentages | | | | Type of Tenancy | |
|-------------------------|---------------------------|------|-------|----------|----------------------|-----------------------|
| | 0-5 | 5-10 | 10-15 | 15-above | Partial Occupancy | Complete Occupancy |
| 1951-55 | 4 | 6 | - | - | 9 | 1 |
| 1956-60 | 6 | 5 | 1 | - | 11 | 1 |
| 1961-65 | 27 | 21 | 7 | 5 | 50 | 10 |
| Total | 37 | 32 | 8 | 5 | 70 | 12 |

Information was also collected about the purpose of house construction for (a) owner-occupancy, (b) partial owner-occupancy, and

(c) complete tenancy. The situation seems to be as follows:

Table 3.6

PURPOSE OF HOUSE CONSTRUCTION

| | Owner occupancy | | Partial owner occupancy | | Complete tenancy | | Total | |
|--------------|-----------------|------|-------------------------|------|------------------|-----|-------|-------|
| | No. | % | No. | % | No. | % | No. | % |
| House owners | 85 | 50.9 | 69 | 41.3 | 13 | 7.8 | 167 | 100.0 |

From the above Table, it is clear that less than half the number of houses constructed are available for rental purposes. Even there, about 41% of the houses are built for partial occupancy by the landlords, and about 8% are for complete tenancy. The rest 51% of the houses are built for complete owner-occupancy.

The house owners were asked to indicate whether there has been a change in the purpose of occupancy over time and the answers are, by and large, negative. This is brought out in the next Table.

Table 3.7

WHETHER THERE IS A CHANGE IN THE PURPOSE OF OCCUPANCY ON ACCOUNT OF RENT CONTROL

| | Yes | | No. | | Can't say | | Total | |
|--------------|-----|------|-----|------|-----------|-----|-------|-------|
| | No. | % | No. | % | No. | % | No. | % |
| House owners | 38 | 22.8 | 120 | 71.8 | 9 | 5.4 | 167 | 100.0 |

Our next question related to the source of financing for construction or purchase of houses in Delhi. Only six house owners, about 4% of the respondents, reported having acquired their property through inheritance. The detailed information on sources of finance is presented

in Table 3.8.

Table 3.8

SOURCES OF FINANCE FOR HOUSING

| <u>Sources of Finance</u> | <u>Construction</u> | | <u>Purchase</u> | |
|-------------------------------|---------------------|----------|-----------------|----------|
| | <u>No.</u> | <u>%</u> | <u>No.</u> | <u>%</u> |
| 1. Savings | 84 | 49.7 | 17 | 10.2 |
| 2. Sale of ancestral property | 3 | 1.8 | 5 | 3.5 |
| 3. Loans | 10 | 6.0 | - | |
| 4. Other sources | 4 | 2.4 | 4 | 2.4 |
| 5. Combination of above | 37 | 22.7 | 6 | 4.1 |
| 6. Not applicable | 29 | 17.4 | 135 | 79.8 |
| Total | 167 | 100.0 | 167 | 100.0 |

Individual savings constitute the biggest source of savings. About 50% of the house owners constructed houses, while about 10% of them purchased houses from savings. On the other hand, the reliance on loans is on the low side - only 6% of the house owners contracted loans for construction purposes. The combination of all sources of finance comes to about 23% of the house owners for construction. This confirms the widely held impression in the country that the motivation to save for housing is particularly strong in India - this is so in Delhi, in any case. To the accumulated savings, the potential house owners would try to add resources obtained from any other source of finance available, but the subsidiary source is rarely the main factor in their investment decision. The craving for house ownership can thus be successfully utilised by the public authorities providing housing finance with suitable modifications in their lending terms.

Our last question to the house owners regarding the housing particulars was designed to elicit information on the factors affecting the rate of house construction. The responses are as follows:

Table 3.9
FACTORS AFFECTING THE RATE OF HOUSE
CONSTRUCTION

| Factors | House Owners | |
|---------------------------------------|--------------|-------|
| | No. | % |
| 1. Availability of finance | 7 | 4.2 |
| 2. Supply of materials | 5 | 2.9 |
| 3. Cost of materials | 12 | 7.2 |
| 4. Cost of labour | 6 | 3.6 |
| 5. Time in getting sanctions | 12 | 7.2 |
| 6. Administrative procedures | 42 | 2.4 |
| 7. Rent control | 10 | 5.9 |
| 8. Combination of two or more factors | 101 | 60.7 |
| 9. Don't know | 10 | 5.9 |
| Total | 167 | 100.0 |

Only about a third of the house owners could indicate clearly what particular factor affects house construction. By and large, it is felt that a variety of factors are responsible and it is difficult to ascribe this to a single factor, like rent control, high cost of materials or labour, lack of finance or delay in getting sanctions. Only about 6% of the house owners expressed inability to answer the question.

(b) Tenants: The tenants were asked questions about the level of rent in terms of square feet and the information was related over time and localities (colonies). Among the developing and the developed colonies, five areas were chosen to the north, east, south, west and centre of Delhi. Complete information about the level of rent could be collected from only 118 tenants, while the different colonies chosen for analysis covered 66 tenants out of a total sample of 200. The information is presented in Table 3.10.

Table 6.10

LEVEL OF RENT IN TERMS OF YEARS AND COLONIES

| Present Rent per 100 sq. feet | Year of Construction | | | Total (1951-65) | | | Colonies (Total No. 66) | | | | | |
|-------------------------------------|------------------------|---------|---------|-----------------|------|---------|--|----------------------------------|--|--|-------------------------------------|--|
| | 1951-5 1956-60 1951-65 | | | | | | North Delhi (Rana Pratap Bagh) | East Delhi (Shah- dara) | South Delhi (Defe- nce colony) | West Delhi (Raj- uri Garden) | Central Delhi (Darya Ganj) | |
| | No. | No. | No. | No. | % | No. | No. | No. | No. | No. | No. | |
| Rs. 0 - 50 | 7 | 29 | 60 | 96 | 81.3 | 15 | 27 | 7 | 3 | 6 | | |
| Rs. 51 - 100 | - | 3 | 15 | 18 | 15.3 | 2 | 5 | - | 1 | - | | |
| Rs. 101 - Above | - | - | 4 | 4 | 3.4 | - | - | - | - | - | | |
| | 7 | 32 | 79 | 118 | 100 | 17 | 32 | 7 | 4 | 6 | | |
| | (5.9%) | (27.1%) | (67.0%) | (100%) | | (25.7%) | (48.5%) | (10.6%) | (6.1%) | (9.1%) | | |

From the above Table, certain broad conclusions emerge. Firstly, we notice that the spurt of building activity in Delhi is particularly heavy during the last five years, in the rent control holiday period. Secondly, the range of rent level upto Rs.50 per 100 square feet has the heaviest concentration, followed by the next range between Rs.51-100 per 100 square feet. This is to some extent contrary to our expectation that the level of rent is higher in the newly developed localities like Rana Pratap Bagh in the north and Defence Colony in the south. Houses in central Delhi, like Daryaganj, do show relatively low rent, but, undeveloped areas like Shahdara in the east also have a few houses between Rs.51-100 rent per 100 square feet. It is possible that, in terms of square feet, rental differences are not pronounced in the various localities; still, in absolute terms the fashionable areas might contain more high rent dwellings than in other areas.

Thirdly, there does not seem to be heavy construction activity taking place in one particular direction. In fact, the spread is in all-directions -- barring perhaps the walled city where no new construction is permitted. House construction seems especially heavy in the east, followed by north, south, and west in that order. In the central part, excepting one, all houses were constructed between 1951-5.

Although there was a question on the tenants' income, not many respondents were willing to furnish information on that count. Nevertheless, information is available on their profession and livelihood. The following Table presents the tenants classification in terms of their source of income.

Table 3.11

OCCUPATIONAL CHARACTERISTICS OF THE TENANTS

| <u>Occupation</u> | <u>Tenants</u> | |
|-----------------------|----------------|----------|
| | <u>No.</u> | <u>%</u> |
| 1. Government service | 42 | 24.9 |
| 2. Business | 41 | 24.3 |
| 3. Professional | 23 | 13.6 |
| 4. Others | 63 | 37.2 |
| Total | 169 | 100.0 |

Government service and business provide about 50% of the tenants' income. On the other hand, the uncertain category covers about 37% of the tenants. Professional groups like engineers, teachers and medical practitioners constitute about 14% of the tenants. The government servants and the professionals among the tenants come to about 39%.

From the answers obtained from the tenants it is possible to have some idea about the extent of overcrowding. The following Table summarizes the position.

Table 3.12

ROOMS OCCUPIED BY THE SIZE OF TENANTS' HOUSEHOLD

| <u>Number of rooms and household size</u> | <u>Rooms occupied</u> | | <u>Size of the household</u> | |
|---|-----------------------|----------|------------------------------|----------|
| | <u>No.</u> | <u>%</u> | <u>No.</u> | <u>%</u> |
| One | 53 | 31.4 | 8 | 4.7 |
| Two | 58 | 34.2 | 13 | 7.7 |
| Three | 34 | 20.1 | 20 | 11.8 |
| Four | 15 | 8.9 | 32 | 18.9 |
| Five | 3 | 1.8 | 37 | 22.1 |
| Six | 4 | 2.4 | 23 | 13.6 |
| More than six | 2 | 1.2 | 36 | 21.2 |
| Total | 169 | 100.0 | 169 | 100.0 |

It seems that more than 65% of the tenants in Delhi live in one or two rooms. If we add one more room, it would cover more than 86% of the tenants. On the other hand, about 57% of the tenants' household size is five or more. If we reduce the size by one, the coverage would rise to more than 76% of the tenants.

Lastly, the tenants were classified according to the year of occupancy of their present accommodation. The following Table summarizes the result.

Table 3.13
YEAR OF OCCUPANCY BY THE
TENANTS

| | <u>1951-55</u> | | <u>1956-60</u> | | <u>1961-65</u> | | <u>Total</u> |
|---------|----------------|----------|----------------|----------|----------------|----------|--------------|
| | <u>No.</u> | <u>%</u> | <u>No.</u> | <u>%</u> | <u>No.</u> | <u>%</u> | |
| Tenants | 4 | 3.6 | 35 | 20.7 | 130 | 75.7 | 169 |

More than 75% of the tenants have occupied their present accommodation after 1960. Compared to this, only 21% of the tenants are staying in the accommodation occupied between 1956-60, and only 4% of the tenants occupied their houses between 1951-55.

Particulars Relating to Rent Control

The next group of questions were related to different aspects of rent control. The first question, posed both to the house owners as well as the tenants, intended to reveal their awareness about the rent control legislation. The following Table gives the result.

Table 3.14
AWARENESS OF RENT CONTROL LEGISLATION

| | <u>Yes</u> | | <u>No.</u> | | <u>Total</u> |
|--------------|------------|----------|------------|----------|--------------|
| | <u>No.</u> | <u>%</u> | <u>No.</u> | <u>%</u> | <u>No.</u> |
| House owners | 121 | 72.5 | 46 | 27.5 | 167 |
| Tenants | 123 | 72.8 | 46 | 27.2 | 169 |

It shows clearly that about 73% of house owners and tenants are aware of the provisions of rent control legislation and how their interests are affected thereby. This does not mean that their technical knowledge of the various provisions of the Act is sound, but, all the same, they are aware of the broad nature of the legislation as well as the escape clauses attached to it.

(a) House owners: Starting from the premise of general awareness about rent control, the house owners were asked whether they were aware of the legislation at the time of construction or purchase of their houses. The answers, however, are less clear having only about 22% with a categorical yes, and about 13% with a negative answer. The rest 65% did not give any clear answer.

The next question enquired whether the owners have more than one house. About 13% answered yes, the rest 87% answered no. Those answering in the affirmative were further questioned as to whether rent control was applicable to their additional house or houses. The results are shown below.

Table 3.15

APPLICABILITY OF RENT CONTROL TO ADDITIONAL HOUSE/HOUSES

| | <u>Rent control applicable</u> | | <u>Rent control not applicable</u> | | <u>Total</u> | |
|----------------|--------------------------------|----------|------------------------------------|----------|--------------|----------|
| | <u>No.</u> | <u>%</u> | <u>No.</u> | <u>%</u> | <u>No.</u> | <u>%</u> |
| One | 6 | 3.6 | 7 | 4.2 | 13 | 7.8 |
| Two | 2 | 1.2 | 4 | 2.4 | 6 | 3.6 |
| More than two | 2 | 1.2 | - | - | 2 | 1.2 |
| Not applicable | - | - | - | - | 146 | 87.4 |
| Total | 10 | 6.0 | 11 | 6.6 | 167 | 100.0 |

The number of additional houses were almost equally divided between the two categories with rent control applicable or not. The break-up of the additional houses also does not show striking variation from the general trend. In all, about 13% of the house owners were reported to have additional houses.

The additional houses were again categorised in terms of their nature of occupancy as in Table 3.10.

Table 3.16

| NATURE OF OCCUPANCY OF ADDITIONAL HOUSE | | |
|---|--------------|-------|
| Nature of Occupancy | House Owners | |
| | No. | % |
| 1. Other occupancy | 4 | 2.4 |
| 2. Partial owner occupancy | 4 | 2.4 |
| 3. Complete tenancy | 8 | 4.8 |
| 4. Not occupied | 5 | 3.0 |
| 5. Not applicable | 146 | 87.4 |
| Total | 167 | 100.0 |

It seems most of the additional houses built are meant for tenancy, either complete or partial.

Our next question related to the mode of disposal of savings by the house owners. The results are shown in the Table below.

Table 3.17

| MODE OF DISPOSAL OF SAVINGS BY THE HOUSE OWNERS | | |
|---|--------------|-------|
| Mode of disposal of savings | House owners | |
| | No. | % |
| 1. Bank deposits | 59 | 35.4 |
| 2. Business | 34 | 20.4 |
| 3. Housing | 20 | 11.9 |
| 4. Postal savings bank | 20 | 11.9 |
| 5. Durable consumer goods | 8 | 4.8 |
| 6. Government securities | 7 | 4.2 |
| 7. Shares | 4 | 2.4 |
| 8. Money lending | 1 | 0.6 |
| 9. Others | 14 | 8.4 |
| Total | 167 | 100.0 |

Bank deposits attract the largest number of house owners (35%), followed by business (20%), housing and postal savings bank claim only about 12% each. Bank deposits and savings bank together have about 47% of the house owners, while business and company shares cover about 23%. Durable consumer goods have about 5% of the house owners. Curiously enough, none of the respondents mentioned gold ornaments as an item for this purpose. Possibly, this is not as important a cushion in an urban setting as it is sometimes made out to be in India.

Among the house owners who indicated their preference for investment in housing were asked about the expected rate of return on capital invested, after deducting expenses. At the same time, all the house owners were asked as to what they considered as a reasonable rate of return on investment. The answers are tabulated together.

Table 3.18

| <u>EXPECTED AND REASONABLE RATE OF RETURN ON INVESTMENT</u> | | | | |
|---|-----------------|----------|-------------------|----------|
| Rate of return (% of capital investment per annum) | <u>Expected</u> | | <u>Reasonable</u> | |
| | <u>No.</u> | <u>%</u> | <u>No.</u> | <u>%</u> |
| 10 | - | - | 19 | 11.4 |
| 11 | - | - | 1 | 0.6 |
| 12 | 13 | 7.8 | 56 | 33.5 |
| 13 | - | - | - | - |
| 14 | - | - | - | - |
| 15 | 4 | 2.4 | 8 | 4.8 |
| 16 - 20 | 2 | 1.2 | 2 | 1.2 |
| 21 - 25 | 1 | 0.6 | 3 | 1.8 |
| 26 - Above | - | - | 3 | 1.8 |
| Not applicable/no answer | 147 | 88.0 | 74 | 41.3 |
| Total | 167 | 100.0 | 167 | 100.0 |

It seems most house owners expect and think reasonable to expect a net return of 12% on their capital invested in a year. As against this, their actual return is between 4-10% for the completely tenanted houses. Of course, quite a few (about 10%) house owners considered a rate about 12% to be reasonable, but, as against this, only a handful (about 4%) thought a return about 12% should be expected.

Among the house owners who prefer investment in housing would rather construct than purchase a house whether or not there is rent control. In other words, rent control does not seem to affect their decision to construct. Again, the house owners were asked if they would purchase a house for which rent control Act is not applicable. 92% did not answer, 7% answered in the affirmative and 1% did not show any particular concern about the rent control legislation.

The house owners were asked about the procedural difficulties in getting necessary sanctions from the public authorities. The answers are shown in Table 3.19.

Table 3.19

BOTTLENECKS IN OBTAINING SANCTIONS FROM PUBLIC
AUTHORITIES

| <u>Procedural Bottlenecks</u> | <u>House owners</u> | |
|-------------------------------------|---------------------|----------|
| | <u>No.</u> | <u>%</u> |
| 1. None | 13 | 7.8 |
| 2. Property registration authority | 8 | 4.8 |
| 3. Municipal authorities | 19 | 11.4 |
| 4. Public utility authorities | 8 | 4.8 |
| 5. Development authorities | 3 | 2.3 |
| 6. Authorities for cement and steel | 9 | 5.4 |
| 7. Combination of 3 and 4 | 21 | 12.6 |
| 8. Combination of 2-6 | 75 | 44.3 |
| 9. No answers | 11 | 6.6 |
| Total | 167 | 100.0 |

Most house owners apprehend difficulties to get necessary sanctions from the municipal authorities which is also responsible for providing public utilities in Delhi. In all, therefore, about 29% of the house owners think that these authorities do create difficulties for them. The percentage would rise if we also think of those house owners who thought that the combination of all the authorities are responsible for their difficulties. Only about 8% did not apprehend any difficulty, while about 7% did not answer to the question.

About 80% of the house owners thought that these difficulties affected their decision to invest in housing. Opinion was equally divided between the two alternatives - to a great extent and to some extent - while about 14% did not think these difficulties stand in the way of their decision to invest in housing. The percentage of non response was 6% to this question.

About 58% of the house owners were tenants before owning houses. These house owners were asked if they had any dispute with their landlords. A majority of them, 47% of the house owners, denied any dispute while about 8% confirmed and another 45% did not report. Those having experience of dispute with landlords were asked if these were settled by the rent controller. A majority of 5% said no, about 2% said yes and for the rest this question was not applicable. Those with the experience of rent controller's decisions were asked if these influenced them to own houses. Opinion was equally divided on this point.

The house owners were asked if they would like their houses to be exempted from rent control. About 27% thought the question did not apply to them (owner occupiers). Of the rest, about 60% thought they should be exempted. The reasons given are various - present rent is not

enough (30%), tenants cannot be easily evicted (17%), small houses should be exempted (5%), and a combination of low rent and difficulty to evict tenants (8%). About 13%, however, did not think that their houses should be exempt from rent control.

A majority of the answering house owners (28%), thought that rent control did not affect fair rent (non response 61%), neither has it affected reasonable repairs and maintenance (21%), non response was 65% in this case. But, it has affected the stability of the tenancy, (26%), Non-response here was 63%. On the other hand, the majority of the house owners thought that the absence of rent control does affect fair rent (33%) with a non-response of 60%. It also affects reasonable repairs and maintenance (31%) with non-response of another 62%. But, it does not affect permanency of tenancy (20%), again with a non response of 62%.

Lastly, the majority of house owners thought that if the present rent is increased, a better accommodation would be provided to the tenants (46%). The negative answers came from about 20%, another 7% did not know, and to the rest 27% this point was not applicable.

(b) Tenants: About 73% of the tenants seemed to be aware of the rent control Act. But, whether rent control was applicable at the time of occupancy or after occupancy by the tenants, the answers are less clear. Again, almost an equal number of tenants gave opposite answers to the question whether the present accommodation is sufficient for their needs. Those who did not consider their present accommodation sufficient, were asked to indicate their additional requirement in terms of number of rooms and other facilities required. About 37% of the tenants would like to have two to three extra rooms (non response 50%). Only 33% opted for other facilities (non-response 56%). Among the other facilities listed

flush latrines (13%) and open space (9%) figured prominently. 70% of the tenants claimed that they can find the type of accommodation they want. At the same time, they thought that the rents of their present dwelling is unreasonable (83%). They also said that the rents of their dwellings were not raised during the present tenancy (91%). Those admitting an increase in rent during their tenancy ascribed this to more facilities provided (4%), and landlords' insistence (3%).

As regards lump sum payment to the owners before accommodation, the tenants were asked if they paid anything in terms of monthly rent. About 91% denied any such payment. Of the rest, about 5% paid more than three months' rent, 2% paid for a month and 1% each for two and three months respectively.

The tenants were further questioned about the payment of brokerage for finding accommodation. About 30% confirmed having done so. About 23% had to pay a fortnight's rent, and about 5% paid equivalent rent for a month.

The tenants were asked if they would like to invest in housing with or without rent control and if so, whether they would purchase or construct houses. About 21% preferred to purchase, and 49% preferred construction. About 30% did not respond. The motivation to invest in

Table 3.20

| INVESTMENT IN HOUSING WITH OR WITHOUT RENT CONTROL | | | | | | |
|--|-------------------|------|----------------------|------|-------|-------|
| Investment in housing | With rent control | | Without rent control | | Total | |
| | No. | % | No. | % | No. | % |
| 1. Purchase | 25 | 14.8 | 11 | 6.6 | 36 | 21.4 |
| 2. Construction | 76 | 44.9 | 7 | 4.1 | 83 | 49.0 |
| 3. Not applicable | - | - | - | - | 50 | 29.6 |
| Total: | 101 | 59.7 | 18 | 10.7 | 169 | 100.0 |

housing seems to be greater with rent control than without it - about 60% in favour, compared to about 11% against. With rent control, the preference is more for construction, about 45% in favour (against 15%). Without rent control, the choice is for purchase, about 7% in favour (against 4%). It seems, therefore, there is a strong positive correlation between the existence rent control and investment in housing among the tenants. If this is interpreted to mean that the motivation to invest arises out of a desire to own housing accommodation, rather than to rent out, then there is nothing curious about the result.

The tenants were asked if they own houses themselves in Delhi and 95% answered in the negative, and only about 5% in the affirmative. Those who denied ownership of house in Delhi were again asked to explain the reasons. 56% reported lack of finance, 9% ascribed this to non-availability of land, 14% to a combination of these two reasons, and about 11% to various other reasons. Low return of investment as a reason figured less than 1%. This confirms the hypothesis of the preceding para that the tenants do not look upon investment in housing in terms of monetary returns, but primarily for their own occupancy.

The tenants living under controlled rent were further asked whether they would like to shift to houses not subject to rent control and 71% replied no. The main reason mentioned was the absence of any threat from the landlords, either to vacate or increase rent (44%); while 11% singled out protection against increase in rent in their present accommodation.

Similarly, the tenants not subject to rent control were asked if they would like to shift to houses under rent control and about 34% answered in the affirmative (non response 59%). The main reasons

ascribed were absence of any threat to increase rent (14%) , and lower level of rent (11%). Non response here was 68%. Increase in rent, therefore, is the single major factor for preferring rent controlled accommodation by the tenants.

Motives for Investment

Questions on motives for investment in houses were directed solely to the house owners. The first question asked was whether the house owners had any intention to sell their houses after construction. About 32% answered no, 13% answered yes, and to the rest 5% this question did not apply. The next question asked was about the number of houses constructed during 1951-65. About 78% reported one house, about 5% said two houses, more than two houses had only 1%, and about 16% did not construct any house.

Again, about 6% of the house owners sold one house and the rest 94% did not sell any house. The reasons for selling mentioned were various - but, among these, rent control was specifically mentioned by slightly more than 1%.

The house owners were asked if they thought there would be more construction in the absence of rent control. About 70% thought this would be so, about 17% did not agree, and the rest 13% did not know.

To the question whether the rent control Act should be tightened or not, 62% felt that it should be relaxed and about 7% thought it should be tightened (less than 1% did not favour any change). Rest of the answers were either not specific (10%), or not applicable (20%).

Owner-tenant Relations

Most of the questions on owner-tenant relations were common for the house owners and the tenants. The responses to the first question on the general nature of owner-tenant relations are tabulated

below:

Table 3.21

| NATURE OF OWNER-TENANT RELATIONS | | | | |
|----------------------------------|-------|-------|--------|-------|
| Nature of relationship | Owner | | Tenant | |
| | No. | % | No. | % |
| Good | 68 | 40.7 | 132 | 77.8 |
| Bad | 12 | 7.2 | 13 | 7.8 |
| Indifferent | 2 | 1.2 | 17 | 10.2 |
| Can't say | 5 | 2.9 | 7 | 4.2 |
| Not applicable | 80 | 48.0 | - | - |
| Total: | 167 | 100.0 | 169 | 100.0 |

It is safe to infer from the above Table that good relations exist between the house owners and the tenants, and it is also probable that if the enquiry was limited to the landlords and not the house owners, the response would have been as large as the tenants on this score. Only 7% of the house owners and about 8% of the tenants reported strained relations. Indifferent relations are emphasised more by the tenants (10%), than by the house owners (1%).

Similarly, only about 5% of the house owners and about 6% of the tenants reported to have visited the rent controller's office for fixation of rent. About 66% of the house owners and 93% of the tenants did not approach the rent controller. Those having confirmed approaching the rent controller, were asked to indicate the nature of dispute. About 4% each of the house owners and tenants mentioned that the owners wanted the tenants to vacate, increase in rent was mentioned by about 6% of the tenants and 1% of the house owners. Other reasons, such as rent not paid as per arrangements etc., were also mentioned by about 5% of the house owners.

To the question whether receipts are issued or collected against the payment of rent, 48% of the owners and 79% of the tenants said yes. Only 13% owners and 21% tenants denied this, and about 39% of the owners did not answer. Those who denied issuance or collection of receipts were further asked the reasons. About 4% each of the owners and tenants pointed out that rents were paid through crossed cheques and hence separate receipts were not necessary. About 8% of the owners and 2% of the tenants ascribed this to mutual agreement. Other reasons mentioned covered about 2% of the owners and 5% of the tenants. About 4% of the owners and tenants did not answer. The percentage of non-applicability ranged from 82% for the owners and 85% for the tenants.

The house owners were asked how many times during the last 15 years tenants have shifted from their houses. On the other hand, the tenants were also asked how many times they had shifted their dwellings during the last 15 years. The answers are presented below:-

Table 3.22

TURNOVER OF TENANCY AND SHIFTING BY THE
TENANTS FROM 1951-65

| Number | Turnover of tenancy (House owners) | | Shifts in tenancy (Tenants) | |
|----------------|---------------------------------------|-------|--------------------------------|-------|
| | No. | % | No. | % |
| None | 50 | 29.9 | 52 | 30.7 |
| One | 18 | 10.8 | 38 | 22.5 |
| Two | 20 | 11.9 | 24 | 14.2 |
| Three | 10 | 5.9 | 20 | 11.8 |
| Four | 2 | 1.2 | 8 | 4.7 |
| Five | 4 | 2.4 | 2 | 1.2 |
| More than five | 3 | 1.8 | 7 | 4.2 |
| Not applicable | 60 | 36.1 | 18 | 10.7 |
| Total: | 167 | 100.0 | 169 | 100.0 |

About 30% each of the house owners and the tenants denied any such shifting. On the other hand, about 2% of the house owners reported more than five shifting in their houses, and about 4% of the tenants also had to shift more than five times. The question was not applicable to 36% of the house owners and about 11% of the tenants. The main reason for such shifting was mentioned by the house owners (22%) as the tenants wanted to change, and the tenants mentioned lack of accommodation as the main reason (20%) for their shifting. Bad relation between the owner and the tenant was mentioned by only 2% of both groups. The percentage of non-applicability was 63% in case of the owners, and 42% in case of the tenants.

The owners were asked if they would like to change their tenants. 41% answered no, 18% said yes, and the rest 41% did not answer. Similarly, the tenants were asked if they would like to shift and 51% of them said yes, 47% said no, and only 2% did not answer.

The reasons for changes of and shifts in tenancy were obtained from the house owners and the tenants. Important reasons mentioned by the house owners were bad relations with the tenants and increase in rent, 5% each. The percentage of non-applicability was 82% for the house owners. On the other hand, 16% of the tenants thought of better accommodation, 10% mentioned high rents and 5% each for shortage of rooms and poor construction in their present accommodation. About 49% of the tenants did not respond.

Those who did not favour any change or shifting of tenancy were also asked to give reasons. 17% of the house owners thought their tenants were good and 10% thought that rent was paid regularly. Non-applicability for the house owners to this question was 67%. The majority of the tenants (25%), were satisfied with their present

accommodation and 5% of them thought this was cheap. Non applicability for the tenants was 51% in this case.

The house owners were questioned on their preferences for tenants in terms of salary earners, married couples, food habits, particular regions, etc. and the answers are given below.

Table 3.23

| <u>PREFERENCES FOR TYPE OF TENANTS</u> | | |
|--|---------------------|-------------|
| <u>Type of tenants</u> | <u>House Owners</u> | |
| | <u>No.</u> | <u>%</u> |
| Fixed income earners | 39 | 23.3 |
| Married couples | 30 | 17.9 |
| Food habits | 2 | 1.2 |
| Particular regions | 9 | 5.4 |
| Others | 18 | 10.8 |
| No answer | <u>69</u> | <u>41.4</u> |
| Total: | 167 | 100.0 |

23% of the house owners preferred salaried persons as tenants and about 18% preferred married couples. In all, about 59% of the house owners admitted to prefer tenants on some basis or the other, and hence, the charge of discrimination can not be ruled out. However, regional preference counts for only about 5% of the house owners and food habits are strong points for only 1% of the prospective land lords.

Lastly, both the house owners and the tenants were asked if they either received or paid lump sum money for occupation of the houses. The over-whelming majority of tenants (91%) and a substantial majority of the house owners (60%) denied any such payment. Only 2% of the house owners and about 9% of the tenants confirmed this. About 38% of the house owners did not respond.

Opinion Regarding Rent Control

The final part of the questionnaire sought to gather opinion of the house owners and the tenants regarding rent control. Quite a few questions were common, although a few special questions were also asked from each group.

The first question was straight-forward asking both the house owners and the tenants whether they favour rent control. The answers are arranged in Table 3.24 below:

Table 3.24

| <u>WHETHER THE OWNER/TENANT FAVOURS RENT CONTROL</u> | | | | |
|--|---------------------|----------|----------------|----------|
| <u>Opinion</u> | <u>House owners</u> | | <u>Tenants</u> | |
| | <u>No.</u> | <u>%</u> | <u>No.</u> | <u>%</u> |
| 1. Yes | 38 | 22.8 | 145 | 85.8 |
| 2. No | 90 | 53.8 | 8 | 4.7 |
| 3. Indifferent | 21 | 12.6 | 16 | 9.5 |
| 4. No answer | 18 | 10.8 | - | - |
| Total: | 167 | 100.0 | 169 | 100.0 |

More than half the house owners (54%) did not favour rent control, while a large majority of the tenants (86%) favoured the same. On the other hand, about 23% of the house owners favoured rent control, and only about 5% of the tenants did not like it. About 12% of the house owners and 9% of the tenants were indifferent to rent control, while about 11% of the house owners did not answer.

The house owners favouring rent control were asked if this should be applicable to all the houses irrespective of the date of construction. About 17% answered yes, and 12% said no. 68% of the house owners did not answer and the rest 3% did not know. The tenants, in their turn, were asked the same question and 75% of them answered yes,

and 10% answered no. About 13% did not answer, and the rest 2% did not know.

Those who did not favour rent control were questioned as to the type of houses this should be applicable. Among the house owners about 11% mentioned houses only for rental, about 7% suggested big houses, and 3% suggested small houses. About 20% did not answer, and for the rest 59% this did not apply. As for the tenants, the question was not applicable for 93%. About 2% thought this should cover only the big houses, and 1% wanted all the houses to be covered. The rest 4% mentioned various ramifications of coverage.

The next question asked both to the house owners and the tenants was whether they favour flexibility of rent control. About 69% of the owners and the 40% of the tenants favoured flexibility. On the other hand, about 8% of the owners and 46% of the tenants did not favour flexibility. 23% of the owners and 14% of the tenants did not answer.

The tenants were asked if they felt that the present rent control Act should be tightened to give them full protection. About 79% of the tenants felt that the law should be tightened, and only 5% disagreed. About 4% did not know, and for 12% this did not apply. Tenants favouring such tightening of rent control were asked in what respects this should be done. About 15% of the tenants demanded more security of tenancy, about 12% thought that rent should be fixed for all rented accommodation either by the local authority or the rent controller, another 5% thought that the law must apply to all the houses irrespective of date of construction and 31% gave various other suggestions for tightening the law. The percentage of non response to this question was 37%.

The next question was addressed to both the house owners and the tenants asking them if they favoured review of rent after periodical intervals or with the change in cost of living, cost of materials, fixed deposit rate, etc. About 21% of the house owners and 11% of the tenants thought that rent should be reviewed after every three years and about 13% of the house owners and 44% of the tenants felt that this should be done after every five years or more. About 37% of the owners and 44% of the tenants did not answer, while 2% of the owners did not favour periodic revision. The rest mentioned various periods of rent revision.

Both the house owners and the tenants favoured a combination of various factors like cost of living, cost of materials, fixed deposit rate, etc., to be taken into account. About 63% of the owners and 42% of the tenants favoured such combination, 10% of the owners and 16% of the tenants favoured cost of living as the sole factor to be taken into account for rent revision. About 20% of the owners and 36% of the tenants did not answer, while the rest mentioned various single factors.

Next, the house owners were asked if they would like to rent out their houses subject to rent control. About 56% said no, 19% said yes, and the rest 25% did not answer. Again, the house owners were asked if they thought there is a shortage of housing in the city; 66% said yes and about 29% said no, while 4% did not answer and 1% did not know. The house owners were further requested to give reasons for housing shortage. About 44% mentioned various combination of reasons, 10% ascribed this to non-availability of developed land, 4% mentioned scarcity of building materials, 5% mentioned rent control, another 5% pointed out other single reasons, and the rest 32% did not specify any reason. The last question to the house owners was whether they favoured rent

control for a definite period, and 47% said no, 22% said yes, 19% did not answer, and the rest 12% did not know.

The last question to the tenants was about their difficulties regarding the operation of rent control Act. About 11% thought that the method of rent fixation should be simplified, another 7% felt that delays in rent fixation should be avoided, 1% suggested that the pugree system should be checked by further tightening the law, and about 6% urged for effective administration of the Act. About 75% did not answer.

Chapter 4

RENT CONTROL AND THE SUPPLY OF HOUSING

An Estimate of Residential Houses

Data on the construction of residential housing (dwellings) in the private sector was collected for the 15-year period from 1951 to 1965, both years inclusive, relating to urban Delhi where rent control is operative. This was primarily needed for the preparation of the frame for the sample survey. Various alternatives were considered, especially the assessment records and the building plans approved by the three local authorities in Delhi. Since the purpose of the frame was to obtain complete addresses of the houses and their owners and not the volume and value of construction as such, indirect methods, such as import of building materials or records of the registered architects, were not useful. The assessment records were not complete in the Municipal Corporation before 1958. In order to know the tempo of residential buildings activity during the reference period, it was necessary to have an idea of the total number of dwellings constructed in urban Delhi, and the method finally chosen was the records of building applications in the local bodies, namely, the Delhi Municipal Corporation (DMC), ^{the} New Delhi Municipal Committee (NDMC) and the Delhi Cantonment (Cantonment). In the DMC, figures for old Delhi in respect of three years, 1955 to 1957, could not be traced and these were obtained from Rao and Desai's study on urbanisation in Delhi, sponsored by the Planning Commission.¹

The procedure adopted for collecting the necessary information was (i) to note the numbers from the building plan application registers indicating the total number of applications received, (ii) to note the rejected applications to know the building plans sanctioned by subtracting

1. V.K.R.V. Rao and P.B. Desai, Greater Delhi: A Study in Urbanisation, 1940-1957, Institute of Economic Growth, Asia Publishing House, Bombay, 1965, p.149.

the rejected serials from the total serials, and (iii) to check the information from the completion certificates submitted by the house owners for new constructions. However, the last method could not be pursued to a great extent because, it is not compulsory for the owners to obtain the certificates and many of them either do not apply for these, or apply only after occupation of the buildings.

A complete picture is now presented regarding private residential construction in urban Delhi during 1951-65 in Table 4.1.

Table 4.1
CONSTRUCTION OF PRIVATE RESIDENTIAL HOUSES IN URBAN DELHI
1951-65

| Years | <u>Urban Delhi</u> | | <u>DMC(Urban)</u> | | <u>NDMC</u> | | <u>Cant.</u> | |
|---------|--------------------|-------|-------------------|-------|-------------|-------|--------------|-------|
| | Number | Index | Number | Index | Number | Index | Number | Index |
| 1951 | 615 | 100 | 470 | 100 | 143 | 100 | 16 | 100 |
| 1952 | 752 | 122 | 458 | 97 | 292 | 204 | 11 | 69 |
| 1953 | 972 | 158 | 658 | 146 | 284 | 199 | 12 | 75 |
| 1954 | 1,546 | 251 | 1,183 | 252 | 360 | 252 | 5 | 31 |
| 1955 | 1,786 | 290 | *1,518 | 323 | 265 | 185 | 1 | 6 |
| 1956 | 1,026 | 167 | *910 | 194 | 112 | 78 | 1 | 6 |
| 1957 | 856 | 139 | *734 | 156 | 117 | 82 | 1 | 6 |
| 1958 | 943 | 153 | 911 | 194 | 27 | 19 | 3 | 19 |
| 1959 | 3,467 | 564 | 3,417 | 727 | 45 | 32 | 4 | 25 |
| 1960 | 5,709 | 928 | 5,582 | 1,188 | 120 | 84 | 2 | 13 |
| 1961 | 4,874 | 793 | 4,804 | 1,022 | 65 | 45 | 1 | 6 |
| 1962 | 6,425 | 1,045 | 6,369 | 1,355 | 48 | 34 | 1 | 6 |
| 1963 | 4,077 | 663 | 4,035 | 859 | 38 | 27 | 2 | 13 |
| 1964 | 7,481 | 1,216 | 7,414 | 1,577 | 61 | 43 | 3 | 19 |
| 1965 | 5,847 | 951 | 5,803 | 1,235 | 40 | 28 | 3 | 19 |
| <hr/> | | | | | | | | |
| Total | | | | | | | | |
| 1951-65 | 46,376 | - | 44,293 | - | 2,017 | - | 66 | - |
| <hr/> | | | | | | | | |
| Average | | | | | | | | |
| 1951-5 | 1,134 | 184 | 863 | 184 | 269 | 183 | 9 | 56 |
| 1956-60 | 3,402 | 391 | 2,311 | 492 | 84 | 59 | 2 | 13 |
| 1961-5 | 5,741 | 933 | 5,685 | 1,210 | 50 | 35 | 2 | 13 |

*For old Delhi figures obtained from Rao and Desai, Greater Delhi, op.cit., p.149.

From Table 4.1 it is obvious that construction of private residential houses has expanded enormously for the urban area. The tempo of construction activities have gained momentum particularly since 1959, both in the urban area as a whole as well as in the DMC (Urban) tract. Private construction of dwellings in the NDMC area, however, started shrinking from 1956. By 1958, when almost half of the NDMC area was transferred to the DMC, the index fell to 19 against the base figure 100 in 1951. The average quinquennial indices for 1956-60 and 1961-5 in the NDMC are only 59 and 35 respectively, compared to 100 in 1951. The corresponding figures for DMC (Urban) were 492 and 1210. Quantitatively speaking, the contribution of the Cantonment to the total private dwellings during the period for the urban area is insignificant. During 1961-5, period, which also corresponds to the rent holiday years under the rent control Act, the index of construction of private dwellings rose to 933 and 1210 in Urban Delhi and DMC (Urban) areas respectively, compared to the base figure 100 in 1951. The evidence, therefore, clearly contradicts any hypothesis that the present rent control legislation has adversely affected the rate of residential house construction in the private sector.

Our figures do not reveal the magnitude of unauthorised construction for which no reliable estimate is available, although it is known that particularly since the Partition of the country, and especially after the land freeze in Delhi in 1959 the number of squatters' colonies and other unauthorised structures have sprung up all over the urban area. A special census of squatters on government and public lands in Delhi was taken in 1960, followed by supplementary censuses in 1962 and 1963. However, the results do not indicate the period of construction and, therefore, are not of material use for our purposes.

A comparison between population increase and the increase in private dwellings in urban Delhi between 1951-61 is made in Table 4.2 below. It is revealing that the increase in the rate of construction has outstepped the corresponding increase in population, and in the second quinquennium the former stands about five times the increase in the latter.

Table 4.2

INCREASE IN URBAN POPULATION AND CONSTRUCTION OF
URBAN DWELLINGS IN DELHI, 1951-61.

| <u>Year</u> | <u>Population*increase</u> | | <u>Increase in dwellings</u> | |
|------------------|----------------------------|--------------|------------------------------|--------------|
| | <u>No.</u> | <u>Index</u> | <u>No.</u> | <u>Index</u> |
| 1951 | 1,02,289 | 100 | 615 | 100 |
| 1952 | 62,074 | 61 | 752 | 122 |
| 1953 | 64,732 | 63 | 972 | 158 |
| 1954 | 67,552 | 66 | 1,546 | 251 |
| 1955 | 70,442 | 69 | 1,786 | 290 |
| 1956 | 73,514 | 72 | 1,026 | 167 |
| 1957-61(Average) | 1,23,069 | 120 | 3,170 | 515 |

*Mid-year estimates

Population figures upto 1956 taken from Rao and Desai, Greater Delhi, op. cit., and from 1957 to 1961 computed from the data in the Quarterly Digest of Economics and Statistics, Delhi Administration, 1966, by S. Chandrasekhar, Union Minister of State for Health, Family Planning and Urban Development in his Key Address at the 17th Annual Town and Country Planning Seminar, October 29, 1968, New Delhi. Figures on urban dwellings taken from Table 4.1 above.

Dwelling Characteristics

(a) Tenure Status: Information on the tenure status of households in Delhi was collected on the basis of a 20% sample survey in the 1961 census. The results show that in the DMC (Urban) area, about a third are owners and the rest two-thirds are tenants. However, in the NDMC area there are 9 tenants for every owner, while in the Cantonment about 95% of the sample households are tenants and the rest 5% are owners. Compared to other big cities in India, except Hyderabad, Delhi has the lowest percentage of tenants. "Delhi city has 69.5% of the sampled

households living in census houses used as pure dwellings as tenants and 30.5% as owners, the corresponding percentages for Hyderabad being 67.0 and 33.0. Bombay has 89.9% of the sampled households living in pure dwellings as tenants and 10.1% as owners, the corresponding percentages in Kanpur being 87.0 and 13.0 respectively. Ahmedabad has 82.3% of the sampled houses in this category as tenants and 17.7% as owners, the corresponding percentages in Calcutta being 81.8 and 18.2 respectively."³

However, the census data does not throw any light on the proportion of owner-occupiers in the total, nor does it provide any clue regarding the nature of occupancy in terms of year of construction. Our figures show that in the newly constructed houses, the percentage of houses occupied solely by the tenants was only 8%, while as much as 41% of the houses were shared between the owners and the tenants and the rest 51% was built for complete owner-occupancy (Table 3.6). From the point of view of rent control, not only the absolute size but also the trend in the pattern of distribution of occupancy is important. Unfortunately, we do not have data on that aspect, although we know that there has not been any perceptible change in the purpose of construction in terms of occupancy on account of rent control (Table 3.7). This suggests that the operation of rent control in Delhi has had very little influence over time on the nature of occupancy or the tenure status of the newly controlled houses.

(b) Level of Rent and Household Income: Information on the level of rent and household income in urban Delhi is available in the census Report on Housing and Establishments on the basis of the Greater Delhi Survey for the year 1956-7. Our survey provides data on the level of rent in terms of a standard floor area (per 100 square feet) and

3. Census of India, 1961: Delhi, Report on Housing and Establishments, op.cit., p.50.

examines whether there has been variations in the level of rent over time, and also for different localities in Delhi. The Greater Delhi Survey data shows that about 92% of the households paid less than Rs.50 per month as rent; while our figures indicate that about 81% of the responding tenants paid upto Rs.50 as rent for the standard floor areas. On the other hand, 82% of the households in urban Delhi had family income of less than Rs.250 per month. While the economic rent for a single-room dwelling unit has been calculated as Rs.28 per month, about 78% of the households in urban Delhi paid rent of less than Rs.26 per month. This means that the vast majority of population in Delhi, as in other bigger cities in India, need subsidised or low cost housing and not rental protection. If we take out the household income category of Rs.1,000 and more (1.5%) from our consideration for the purpose of rent control, about 20% of the households would be effectively covered by rent control, of which 13% would be tenants and the rest 7% owners. The estimate perhaps errs on the liberal side. As the percentage of house owners rises, we move up on the income distribution pyramid. Among the middle class dwellers, therefore, the percentage of owners and tenants would be around 1:1, and not the average 3:7. In any case, the percentage of tenants' households in urban Delhi effectively covered by rent control may be put between 10-13% of the total. What we do not know is to what extent there is a significant variation in the demand curve for dwelling space among the different income groups. It is quite possible that the proportion of income paid as rent by the lower-income category tenants (below Rs.250 per month) is significantly lower than that of the middle-income category (between Rs.250 - Rs.1,000 per month). If so, a differential housing policy, including the rent control, seems more appropriate to cater to the needs of the various income groups.

(c) Other Characteristics: Our survey throws some light (Table 3.22) on the question of turnover of tenancy and shifts by the tenants. Turnover figures indicate that about 34% of the tenancies were involved and the majority (23%) had one or two changes. On the other hand, the shifts by the tenants indicate a higher percentage - about 50% - of which the majority (49%) reported one to three changes. By and large, it seems that turnover of tenancy occurred once in ten years and shifts took place once in five years, the difference could be either in non-response by the house owners or inadequate coverage of the mobility universe in the sample frame. In any case, overall mobility does not seem to be particularly high in a city with a predominance of professional and salaried classes (Table 3.11). Although our information on mobility of the tenants is not related to particular years, we do have the years of occupancy by the tenants. The figures show (Table 3.13) that more than 75% of the sampled tenants occupied their present accommodation between 1961-5, that is to say, during the rent control holiday period. That rent control dampens mobility is not, therefore, supported by facts. Of course, a fuller analysis of the situation must distinguish between voluntary and involuntary mobility as also mobility of the settled resident population and that of the migrants. Again, all this is to be related to a normal period in the employment market. For, it is well known that, during a period of expansion in the employment situation there is a greater demand for accommodation by splitting up the existing households; contrarily, during a period of unemployment, closely linked families huddle together and there is thereby a contraction in demand for dwelling space. "It is important to recognise that changes in the population or in income are in most part independent of the housing supply, responding largely to

employment opportunities. In other words, it is not likely that immigration will occur or that families will be induced to remain in a given community because of the ready availability of housing at low rents, nor is it likely that, given sufficient job opportunities, population growth in an area will be discouraged by a housing shortage. Thus, in the short run, the basic forces of demand and supply are largely independent of each other."⁴

The vacancy rate is a crucial indicator of the state of housing market. Data on vacancies was collected during the 1961 census. However, the vacancy figures indicated in the census relate to "census houses" and not "dwellings." It is believed that the vacancy ratio in the dwellings would be less than what is indicated in the census. Again the vacancy data does not indicate the periodicity of or the reason for such vacancy.

The overall vacancy rate for urban Delhi was 2.9%, although NDMC rate was substantially higher (4.8%), and the Cantonment registered the highest percentage (6.9%). In the DMC (Urban) area, old city had the lowest rate (1.8%), and south Delhi registered a fairly high rate (5.3%). The census does not report vacancies separately for private and public houses and it is possible that the higher vacancy rates in the NDMC and the Cantonment areas are due to delays in allotment of quarters, etc. In any case, the preponderance of government houses in these two areas means that both the NDMC and the Cantonment are somewhat outside the private residential housing market. The high vacancy rate in south Delhi, which exceeds corresponding rate in the rural areas, is mainly due to the construction of luxury houses in that part of the city. It seems, therefore, that although there is pressure on housing in the central

4. Chester Rapkin, "The Private Rental Housing Market in New York City", 1965, a report prepared for the City of New York, New York, 1966 pp.105-6.

(City, Sadar, Paharganj) and middle-class localities (Karol Bagh, Patel Nagar), in the developing areas to the south of the city (Kailash Colony, Kalkaji, Malvia Nagar, Hauz Khas, etc.) the pressure is not great. A full examination of the type of housing, duration of vacancy, the reason for such vacancy and household income would reveal the functioning of different sub-markets in dwellings and enable us to judge the impact of rent control on such sub-markets.

The problem of obsolescence and quality of maintenance of housing stock is important in analysing the effects of rent control. Unfortunately, however, there is virtually no information on the standard of maintenance. In any case, the general assumption that the landlords neglect proper maintenance of their houses is almost taken for granted, in view of the rising cost of building materials and wage rates on the one hand, and the frozen level of rent on the other. For instance, a recent government report on urban land policy observes: "Most of the old buildings cannot even be properly repaired and maintained and present a very ugly and dilapidated look because their rents have been frozen and have ceased to be economic and do not provide any incentive to the landlords to invest in these properties."⁵ Such generalisation seems inappropriate as the problem of maintenance of old structures is almost universal with or without rent control. To what extent such control accentuates the maintenance problem of low rent structures is difficult to assess. Similar situation exists in New York as well. "The poor state of repair of many structures in New York, particularly in older sections of Manhattan, Brooklyn, and the Bronx, dates not from the beginning of rent control but from at least the days of the Depression and before."⁶

5. Report of the Committee on Urban Land Policy (appointed by the Central Council of Local Self-Government and Town Planning Ministers' Conference, 1964), Government of India (Ministry of Health), Delhi, 1965, p.22.
6. Chester, Rapkin, The Private Rental Housing Market in New York City. 1965, op.cit., p.58.

The older parts of Delhi date from the 17th century, and many of the houses in the walled city have become obsolete owing to sheer age. The Greater Delhi study also states that in urban Delhi "more than a quarter of the houses have already clearly outlived their span of life."⁷

Another difficult problem which is often posed, but seldom answered with any reliable degree of precision, is the supposed under-utilisation of space in the controlled premises and overcrowding in the uncontrolled ones, especially in the low-rent category. The results of extensive surveys in New York, for instance, do not support such a simplistic hypothesis where in 1960 the controlled sector had "about 1 per cent more space than it would have used had its rate of space utilisation been the same as that in the not controlled sector. Thus the available data fail to support the charge that rent control results in a significant mis-allocation of space."⁸ However, in a more recent study of private rental housing market in New York, Rapkin frankly admits the complexity of the issue and doubts if even with the best of data the problem can be resolved satisfactorily.⁹ The variables in the situation are many - difference in income, rent, family composition, tastes, etc; demographic characteristics like the rate of family formation, size of the households in terms of income and dwellings space; rent differentials in terms of income, occupation and even sex of the family head; neutralisation of some of these tendencies with the addition of new housing stock, and so on.

The last question that needs some exploration from the point of view of the effects of rent control on housing supply is to what extent there is a loss of rental dwellings either due to their conversion

7. V.K.R.V. Rao and P.B. Desai, Greater Delhi: A Study in Urbanisation, 1940-1957, op.cit., p.291.

8. Frank S. Kristof, People, Housing and Rent Control in New York City. The City of New York (City Rent and Rehabilitation Administration) New York, 1964, p.5.

9. Chester Rapkin, The Private Rental Housing Market in New York City, 1965, op.cit., p.61.

into other uses or in increasing the proportion of owner-occupation. Again, so far as Delhi, or for that matter other Indian cities, are concerned, there is no information on these points. However, it seems that even in an international comparison with European cities the percentage of private house owners in Delhi is quite high and exceeded only by London as is seen from the following table:

Table 4.3

OWNERSHIP OF PRIVATE DWELLINGS IN VARIOUS CITIES

| <u>City</u> | <u>Year</u> | <u>Total dwellings</u> | <u>Percentage of owner occupied to total</u> |
|-------------|-------------|------------------------|--|
| London | 1961 | 23,90,000 | 41 |
| Paris | 1963 | 28,03,000 | 31 |
| Stockholm | 1960 | 4,34,000 | 14 |
| Copenhagen | 1960 | 4,72,000 | 19 |
| Geneva | 1964 | 1,11,000 | 10 |
| Hamburg | 1961 | 1,11,000 | 15 |
| Delhi | 1961 | 3,51,000 | 31 |

Source: Report of the Committee on Housing in Greater London (Chairman: Sir Milner Holland) H.M.S.O., Cmd. 2605, 1965, p.208; and Census of India, 1961: Delhi, Report on Housing and Establishments, op.cit.

In London, the present drift towards owner-occupation does indicate a definite trend of loss of the rental sector, although to what extent this is due to the operation of rent control is open to doubt. In Delhi, as we have seen earlier, our own survey data does not indicate any change in tenure status owing to rent control (Table 3.7), although it indicates a strong preference on the part of the tenants to construct houses with rent control operating (Table 3.20).

Chapter 5

RENT CONTROL AND INVESTMENT IN HOUSING

Return on Investment

An enquiry into return of housing investment consequent on rent control enables us to judge whether such restrictions might divert funds from housing to other "non priority" sectors.. This is to be distinguished from studies on "productivity" of housing, in which the social rate of return is important, which is useful in the context of determining investment priorities for plan purposes. Our concern, however, is limited to the financial rate of return. Such enquiry starts with three initial handicaps: (i) very often assessment of market rent is not done for houses occupied wholly or partly by house owners; (ii) there might be deliberate under-reporting of investment/rent and over-reporting of expenses; and (iii) the municipal records of property valuation might be under-assessed. Without proper adjustment of these factors, which can be done only by sample valuation checks in the different municipal wards, it is not possible to arrive at any approximation regarding the rate of return on housing. The problem of "black money" is also to be reckoned with. But, since most of it would be used either for safe keeping or for speculation, from the point of view of investment this is not important. With these preliminary observations, we would now examine two recent attempts at estimating the rate of return on new housing investment in Delhi. These estimates will be compared with our results obtained from direct enquiry, and the relevance of rent control will be discussed in this context.

The first estimate is by Nanjundaiya prepared on the basis

of 1960-61 property tax rate on houses constructed in 1967-8 in Delhi.¹

The result is reproduced below:-

Table 5.1

RATE OF RETURN ON HOUSING AND OTHER
INVESTMENTS

| <u>Type of Investment</u> | <u>Rate of Return</u> (per cent of per annum) |
|--|--|
| <u>I. Central Government securities</u> | |
| (i) 3% conversion, 1986 or later (running yield) | 4.50 |
| (ii) Others (average for four loans) | 4.13 |
| <u>II. Variable dividend industrial securities</u> | |
| Average for all India | <u>6.93</u> |
| (i) Agriculture and allied activities | 8.26 |
| (ii) Mining and quarrying | 7.04 |
| (iii) Processing and manufacturing | 6.40 |
| (iv) Other industries | 7.71 |
| (v) Financial institutions | <u>8.44</u> |
| <u>III. Rate of return* on housing in Delhi</u> | <u>13.85</u> |

* Net of general property tax only.

Although the resulting rate of return on housing compares favourably with corresponding rate in other forms of investment, too much need not be made of this estimate. This is because the base figure, gross rental income, is notional (assumed at 18%), as also the cost of repairs and maintenance taken at a certain rate (10% of gross income). The local service taxes and the income tax have not been

1. B. Nanjundaiya, "Incidence of Taxes on Residential Construction 1957-8", published by the National Buildings Organisation in Select-
ed Papers from Symposium on Housing Finance, New Delhi, 1968, p.97.

calculated, neither any allowance is made for depreciation, interest charges, ground rent or cost of management. The result is, therefore, not only highly conjectural, but also not comparable with other forms of commercial investment.

The second estimate of net return on housing was attempted by the National Council of Applied Economic Research (NCAER) in a report on Tax Incidence on Housing on houses assessed for the first time in 1963-4.² Out of the gross rental income, deductions for municipal taxes, repairs and maintenance and depreciation were made. No attempt was made to apportion income tax to the gross rental as income tax is levied on global income. However, the deductions on repairs and maintenance (8.33%) and on depreciation (1.5%) were notional, made on the basis of estimates by the Central Statistical Organisation (CSO). The figures for Delhi are presented below:-

Table 5.2

DEDUCTIONS FROM GROSS RENTAL AND NET INCOME FROM
HOUSING IN DELHI,
1963-4.

| <u>Items</u> | <u>Percentage on Gross Rental</u> | <u>Percentage on Total Investment</u> |
|-------------------------|---------------------------------------|---|
| Municipal tax | 7.87 | - |
| Depreciation | 7.08 | - |
| Repairs and maintenance | 8.33 | - |
| Net income | 76.77 | 10.48 |

The NCAER study concludes by observing that "net return of investment in housing compares favourably with yields on Government securities." It then goes on to suggest that "investment in housing is not only for

2. National Council of Applied Economic Research, Tax Incidence on Housing, New Delhi, 1967, pp.35-7, and Table 44.

purposes of monetary return. It is a common desire to own house, investment in housing specially for self-occupation is generally not guided entirely by the consideration of the rate of return, it is also considered some time as a symbol of social status and therefore even a lower return in case of housing will be justified."³ This is, indeed, strange logic. For, in a free market, lower rate of return on housing will certainly depress property market and the level of rent; consequently, the incentive for the tenants to own houses will disappear. In a controlled market, the situation is slightly more complicated, for much will depend on the supply of vacant possession of houses for sale, the rent holiday period, the duration of rent control and the terms of mortgage borrowing for house construction. If, in the end, the balance of advantage still lies in the direction of new house construction by the existing tenants, this will be due to imperfections in the market and not because of low rate of return. Even in such a situation, ceteris paribus, the increased availability of housing will draw away the excess demand in the controlled sector, leading to the easing of the level of rent in the long run. Once controls are withdrawn, the rental difference in the controlled and uncontrolled sectors will disappear. Even if the uncontrolled sector consists of all newly constructed owner-occupied houses, the situation is not likely to be different. For, barring a few exceptions, the use of the houses for rental or owner-occupation will depend on the level of rent. Dwellings initially built for a particular type of occupation will, nevertheless, be used differently, given an incentive to do so.

Apart from the notional estimates of repairs and maintenance and depreciation, the NCAER study is limited because of its consideration of low-cost housing with investments below Rs.25,000 and the absence of

3. NCAER, Tax Incidence on Housing, op.cit., p.37.

any time horizon. The analysis relates to a particular year (1963-4), and the average estimates of 44 residential units of Delhi in the low-investment category. Our analysis, on the other hand, relates to a total 15-year period and covers all private residential housing investment in urban Delhi. Moreover, we have used all major items of current expenses on housing including (i) interest paid, (ii) expenses on repairs and maintenance, (iii) all taxes paid on account of rental income and capital value, (iv) insurance, and (v) other expenses including the cost of management. Only depreciation figures were not collected directly, as the house-owners would either not consciously take it into account or might adopt different rates depending on the nature and purpose of ownership.

We have already expressed some doubts regarding the rate of return on owner-occupied dwellings. The average rate of return on rented dwellings in our survey comes to about 11.2% which is slightly higher than the NCAER estimates. But if we make allowance for depreciation at the CSO rate, then our estimate would correspond to that of the NCAER. However, with respect to two rented dwellings, the rates of return are reported to be, 27.2% and 24.8%, more than twice the average figure arrived at. Excluding these two, the average rate of return of the remaining 10 rented dwellings works out at 8.2%, which is lower than the NCAER estimate but higher than the average all-India yield from industrial securities, and about twice the yield on Central government securities (Table 5.1).

Table 5.3

ANNUAL EXPENSES OF HOUSE OWNERS: FIVE
SELECTED CASES

| Cases | Year of Constru- ction | Invest- ment Rs. | Gross Rental Rs. | (Annual expenses as % of gross rental) | | | | | Net Rate of Return % |
|-------|------------------------------|------------------------|------------------------|--|----------------------------------|-------|-------------------|-------|-------------------------------|
| | | | | Interest | Repairs & Mainte- nance | Taxes | Other Expenses | Total | |
| I | 1964 | 13,000 | 2,700 | - | 7.4 | 7.0 | - | 14.4 | 17.8 |
| II | 1965 | 19,600 | 2,400 | - | 10.4 | 14.6 | - | 25.0 | 9.2 |
| III | 1965 | 35,000 | 4,200 | 28.6 | 8.3 | 10.7 | - | 47.6 | 6.3 |
| IV | 1956 | 40,000 | 3,000 | - | 16.7 | 12.0 | - | 28.7 | 5.4 |
| V | 1963 | 1,00,000 | 8,400 | - | 4.8 | 14.9 | 0.5 | 20.2 | 6.7 |

Source: Survey data

A detailed picture of the annual expenses of the house owners is presented in Table 5.3 in respect of five typical rented dwellings. The only instance that stands out in Table 5.3 is Case III where interest claims about 29% of the gross rental. Other houses were presumably built out of savings. Again, there does not seem to be any relationship with the amount of investment and the proportion of gross and net rental. It would have been interesting to compare the rate of return and expense ratio in respect of pre-war and post-war houses to appreciate the role of rent control. We have already noticed that in the recent rent control holiday period, the rate of return has increased, especially for rental dwellings.

Available evidence, considered above, does not support the charge that the net return of investment in housing is abnormally low compared to similar investments in other sectors. On the contrary, at least for new houses, the rate of return compares favourably with the yield of even

industrial securities.

In recent years there has been an attempt to introduce the concept of a "fair" rate of return in the essential industries necessary for planned development of the country and the government is expected to determine, after considering specific circumstances and needs of a particular case, the level of profit which would "secure returns adequate to finance expansion and attract capital which would otherwise go into non—priority industries."⁴ Apart from the difficulty of defining fairness in terms of available objectives measures, it "is a relative concept and a vary from industry to industry depending upon the circumstances of each case and the object of determining such a return."⁵ The only formula applied so far in an essential industry which has some relevance with the housing sector appears to be the electricity undertakings, where a "reasonable" return is defined as bank rate plus 2 per cent on the capital base. Compared to that, the rate of return on new housing is not unfavourable, although the return envisaged in the rent control Act for old houses would appear to suffer from rigidity and absence of linkage with market forces.

Effects on Investment

Among the factors influencing the level of investment in housing, rent control is an important, although not an exclusive or even the predominant, component. Nevitt lists some other factors to be considered in the context of the English housing market.⁶ In the Indian situation,

4. Economic Survey, 1963-4, Government of India, (Ministry of Finance, Department of Economic Affairs), New Delhi, 1964, p.4.
5. S.N. Dalal, "Concept of a Fair Rate of Return on Capital", Reserve Bank of India Bulletin, June, 1966, p.728.
6. A.A. Nevitt, Housing, Taxation and Subsidies: A Study of Housing in the United Kingdom, London, 1966, p.118.

particularly in a rapidly growing city like Delhi, Nevitt's factors may be slightly modified and listed as follows:

- 1. The level of income: household income for Delhi as a whole as well as for particular localities;
2. Demographic characteristics: particularly the growth of population and the pattern of family formation among residents and in-migrants;
3. Property laws, including building and zoning regulations;
4. State of money market, lending policy in real estate and the price of mortgages;
5. Housing activities of the government and the local authorities, particularly under the social housing schemes and provision of staff quarters;
6. The general level of prices, including transport cost;
7. Availability of civic amenities, like water, electricity, transport, marketing facilities, etc.;
8. Supply of developed building sites, and their location;
9. Availability of essential building materials like cement, steel etc.;
10. Quality of dwellings demanded covering lawns and open spaces, single or multi-storeyed houses, facilities for sleeping outside the rooms during summer, etc.

This list can be expanded further, although some of the important aspects mentioned indicate the nature and constraints of both the demand and for the supply of dwellings which determine the state of real estate market. It is not possible within the scope of the present study to analyse these factors in the particular situation of Delhi. Nevertheless, the relevance of some of the factors like income, trend of dwelling construction etc. have already been discussed. The importance of rent control in such a state of affairs becomes apparent when these are either relaxed or withdrawn. Because of controls, many of the obvious and pertinent choices are not clear either to the landlords or the tenants. As soon as controls are withdrawn, wholly or partially, the

other factors assume importance and people actively start in taking these into consideration.

During the transition from control to decontrol of rent, the landlords move from the forced acceptance of historic to current cost of dwellings, and in the process, if they find that the public policy towards credit, land use or taxation - to take only three crucial factors - unfavourable to them, they would try to obtain a compensating return, within the limits of law. This might imply a demand for 'unreasonable' rent. "If a landlord can at one and the same time avoid all social criticism and also obtain a higher return on his capital, he is likely to do so with great alacrity. Rent controls are, however, from his point of view, a devillish device by which he is prevented to doing so."⁷ The situation is further complicated if we take into account the replacement cost. The price of land in the central and business localities would be high enough to induce the landlords to pull down existing old structures which are uneconomic to maintain in a free market, and the incentive to lease the vacant plot is greater. But in the suburbs and outlying localities this is unlikely to happen, and the houses may indeed be bought up by the sitting tenants; so that, decontrol might result in a net loss of rental dwellings. To what extent this tendency will be offset by the existing tenants to construct their houses would depend on the terms of housing credit available and the tempo of public housing activities. But in a big city like Delhi the needs of floating and temporary migrants will have to be catered by the rented sector and any tendency towards its contraction will affect the owner-occupied sector as well.

7. A.A. Nevitt, Housing, Taxation and Subsidies: A Study of Housing in the United Kingdom, op.cit., p.112.

From a social point of view, inadequate maintenance of old dwellings and pulling these down in the end means not only loss of national wealth, but also wastage of national resources. To the extent rent control perpetuates or aggravates this problem, this has to be offset by suitable incentives either in the rent control or in the tax laws. It is not enough to ensure that new construction takes place, it is equally important to provide for adequate means for the maintenance of existing housing stock.

Chapter 6

RENT CONTROL AND PUBLIC POLICY

Effects on Income Distribution

Since rent control is a device to protect the consumers of dwellings from arbitrary or abnormal increase in rents by the landlords, one can view this as a redistributive measure whereby the consumers are subsidised by the producers. In this context, it is relevant to consider whether such redistribution could not be achieved in other ways that are more efficient than rent control, with fewer side-effects.

It is well-known, in fiscal literature, that the only equitable method of redistribution is through a means test of the entire population both for the purpose of progressive taxation, as well as for subsidy schemes. Any tax-subsidy arrangement tied with the consumption of a particular commodity or service is necessarily a partial redistributive device which may be offset or accentuated by either the rigidities in the economy or through similar partial or general programmes of redistribution. Secondly, unless a plan for redistribution is tied up with the economic status of the persons affected, favourably or otherwise, it is bound to create unnecessary complications, leading perhaps to quite contrary results. For instance, consumers with a preference for non-subsidised goods or services will be discriminated, and those with a higher preference for subsidised goods or services will be favoured. Again, absence of a means test in such a partial tax-subsidy arrangement will adversely affect the poorer producers and favour the richer consumers. When the consumers are further classified in terms of period of consumption (year of occupancy in the case of housing), this adversely affects the late-comers in the demand queue and favours the late-comers in the supply queue.

All this is fairly obvious. On the other hand, such a measure is easier to administer. The reason for the widespread and persistent use of rent control in an emergency influx of population in particular areas, all over the world, is precisely the specificity of the measure. When the emergency is over, it is to be considered as a matter of public policy, whether such a specific measure affecting a particular group of people should not give way to a more general policy of income redistribution. Unfortunately, the time lag between the abandonment of such specific but simple methods and the adoption of a comprehensive and, at the same time, complex and open-ended public policy is inordinately long. The transition is much more difficult in a society without a comprehensive governmental commitment for providing essential social services, such as housing. Moreover, if the beneficiaries in such a protected service far outnumber the losers, it is possible that the political pressure for status quo will be substantial. The solution lies in a gradual and calculated move out of such a limbo. A recent report by the Ford Foundation Team on Urban Housing puts the problem rather candidly: "Perpetuating rent control in a rising-price economy increases distortion of the expenditure patterns of protected tenants. This makes decontrol increasingly difficult because an abrupt abandonment of control would cause serious economic and political repercussions in urban areas."¹

Because rent control distorts consumer budgets, the real income transfer to the protected tenants is lesser than the loss suffered by the landlords. "Imagine that the free market rate for a flat, is Rs.100 and that the 'fair rent' is set at Rs.80. The landlord's income is

1. L. Winnick, U. Manheim, G. Beyer, R. Colwell and E.M. Fisher, India's Urban Housing, Government of India (Ministry of Works and Housing), New Delhi, 1965, (mimeographed), Vol.II, p.149.

diminished by Rs.20, but the tenants' profit is less than Rs.20. If the tenant received Rs.20 in cash, he would be free to spend it on housing, or he could use it for some other purpose. The rent control ties the Rs.20 specifically to housing, and leaves no possibility of transfer to other uses, hence it is worth less than Rs.20 to persons who would prefer to use the money for other purposes."² Available estimates show that the average income elasticity of demand for urban housing in India is 1.7.³ Applying the average elasticity to an increase of Rs.20, we find only Rs.3.40P available for expenditure on housing, leaving the balance Rs.16.60P for other items. If, housing had a higher consumer priority, a greater proportion of additional income would have been devoted to it. It means that "an increase in income of much less than Rs.20 is equivalent to a Rs.20 rebate on housing rent."⁴

Reform of Rent Control

(a) The machinery of rent control: In India, there is hardly any official machinery for proper administration of rent control, apart from the quasi-judicial device for adjudication of disputes. For instance, there is no official list of houses subject to rent control and no one really knows, without testing the matter out in a legal dispute, whether the rent asked for is legally payable. In Britain, for instance, the local authorities maintain a register of houses subject to rent control

-
2. S. Wellisz, "The Control of Urban Rents in West Bengal", mimeographed paper prepared for the Calcutta Metropolitan Planning Organisation, Calcutta, 1963.
 3. A.K. Biswas and H.P. Biswas, "Bengal Elasticity of Consumption Expenditure on Some Selected Estimates of Increase in their Demand during the Third Five Year Plan", mimeographed paper prepared at the Indian Statistical Institute, Calcutta, 1961.
 4. S. Wellisz, op.cit.

with all details of the accomodation and these are available for inspection of the prospective tenants. Introduction of such a system ensures that all houses legally subject to rent control are effectively within the surveillance of the public servants. In India, on the other hand, the situation is one of extreme confusion and the majority of houses liable to rent control escape law only because the particular cases have not been brought to the rent control courts. Even houses on which statutory rents have been fixed escape the awards after the departure of the existing tenants. Until the new tenants again refer the cases to the rent controllers, the landlords can conveniently suppress the outcome of the previous awards. What all this implies is simply that, the houses actually subject to the rent control are a mere fraction of the houses potentially subject to the statutory restrictions. This system is almost unbelievably naive, and the conclusion of most observers of the situation is that in India rent control legislations are not really meant to be administered.

The existing method of determining standard rent suffers from rigidity and inflexibility and is in marked contrast to price fixation in other controlled commodities in the agricultural or industrial sphere. Too much is left to the discretion of the rent controllers, who are unable to decide cases without a general framework of price fixation. Moreover, the rates of return envisaged in the legislation are not subject to periodical reviews for suitable adjustments, nor is there any built-in flexibility in the statute itself to adjust rents to the changing situation of the market. The base percentages mentioned in the law remain frozen till this is changed through a legislative process. Even the base percentages mentioned bear no relation either to the quality of

houses or the structure of interest rates, let alone any linkage with the general movement of prices. All this has happened in the absence of a proper machinery for determination and review of urban rents, as is done, for instance, in the case of rationed commodities or the products of protected industries, or even in the field of wage regulation. Price fixation in a controlled situation is a technical exercise. Moreover, because of its repercussions on the other sectors of the economy, this is fraught with deep economic, social, and political consequences. The quasi-judicial rent determination can be successful only if this is supported by an alert administration keeping an eye on the housing situation coupled with the ability and determination to correct imbalances on the one hand, and a regular machinery for periodical review and determination of urban rents in terms of objective factors, such as, the quality of houses, general level of prices, and the state of the money market. In the absence of these two pre-conditions (the first being present in Britain, but not the second), the existing method of rent control administration can hardly be expected to achieve desired results.

(b) Suggested reforms: We have already indicated certain modifications in the law relating to rent control in Delhi. In addition, the following substantive reforms in rent control are suggested:-

- (i) Uncontrolled sector: The existing rent holiday arrangements should continue; but after the period is over, the houses would be treated at par with other controlled houses. We would also suggest that certain areas where the pressure of occupancy is not great, for instance a 5% vacancy rate for 1 month, the operation of rent control should be terminated. Again, all residential houses with a rental of Rs.250 and more should be rent control exempt, as these cater to needs of the higher-income categories. Similar exemptions have been tried in Madras with success.
- (ii) Controlled sector: In the controlled sector, the principles for determining standard rent should be formulated by a Rent Board for a 5-year period and its administration should vest either in the government or the local authorities. The existing

quasi-judicial arrangement for rent fixation should be abolished and the legal disputes should be decided only by the judiciary. The rent control administration must keep an up-to-date list of rented dwellings, classify these in terms of quality and facilities provided, and apply the rent formula in the case of each and every such house.

- (iii) Subsidised sector: The assumption of responsibility for providing housing accommodation for the lower income groups must be an integral part of the government's housing policy. Accordingly, it is suggested that a graded subsidy scheme upto an income level of Rs.250 per month should be formulated. The subsidy is to be handed over to the landlord and not to the beneficiaries direct. The amount of subsidy would represent the difference between an economic rent and rent paying ability of the low-income tenants. Simultaneously, a housing cess should be levied on all employers who are neither paying house rent allowance to their employees, nor taking advantage of the social housing schemes for providing staff quarters. Those enjoying housing allowance or staff quarters obviously would not be eligible for subsidy.

The three essential aspects of our proposals, therefore, are:

- (a) considerable widening of the uncontrolled sector, (b) proper administration and objective determination of standard rent in the controlled sector, and (c) introduction of a tax-subsidy scheme for the housing of low-income group tenants. We have already seen that the percentage of tenants effectively covered by rent control varies between 10-12%. If we release the high vacancy areas from rent control and also exclude those having residential quarters provided by their employers, not more than 5% of the tenant-households would come under the purview of the controlled sector. Under the circumstances, it is worth considering whether a better policy would not be to scrap rent control altogether over a period of time. If the selected areas of shortage are confirmed only to the business localities, it might be easier to operate deliberate space rationing in the critical areas and simultaneously opening up newer business centres. The zoning regulations already envisaged for different municipal wards in Delhi could be made legally

enforceable and changed to suit newer needs and circumstances. The multiplicity of authorities in charge of planning, land development, housing, slum clearance, building regulation, and assessment of property taxes needs to be done away with and brought under unified administration and policy. This is, of course, easier said than done. However, the administration of rent control and building and zoning regulations must function in unison and the only authorities which can do this are the local bodies. It is to be hoped that the three local governments in Delhi would be entrusted with not only all the regulatory functions in housing, but also made the prime vehicles of constructing public housing on a mass scale.

It is clear from our analysis that unless a positive policy of house construction is undertaken by the public authorities (apart from building staff quarters), the problem of housing in the bigger cities in India, including Delhi, cannot be solved. Introduction of rent control, or even space rationing, does not take care of the central problem of shortage - at best there are temporary measures to save a veritable crisis. However, if such a negative policy is not paralleled by the more positive policy of allocating substantial public funds for housing subsidy for rental or construction purposes, the consequences might be grave indeed. In western European countries, the conventional rent control has been replaced by selective rent regulation, coupled with subsidisation of the private builders of dwellings and landlords. The British policies towards rent control and property taxation have not been quite imaginative so far, with the result that the private rented sector is faced with the possibility of near extinction. An informed observer of the British scene writes that the private landlord

there has been regarded "sometimes as a parasite to be ruthlessly suppressed, sometimes as a paragon of free enterprise to be unleashed in haphazard and unselective fashion. Not surprisingly, he has extricated himself from the market whenever he gets the chance to escape with profit."⁵

However, even in Britain, disaster was averted by the tremendous building activities of the local authorities after World War II. In India, unfortunately, we had the worse of the ideology against "profiteering"; but few of the incentives to private builders in western European countries, and none of the spurt in public housing activities in Britain. The policy towards rent control must, therefore, be judged in relation to the total contribution of the government towards the provision of adequate shelter to the community.

5. D.V. Donnison, The Government of Housing (Penguin), London, 1967, p.85.

Chapter 7

CONCLUSIONS

Attempts at Partial Reform

(a) (Assessment of municipal property tax: Since the assessment of municipal property taxes on residential buildings is based on rental value, rent control lowers the yield of such taxes, at least from controlled properties. As long as the basis of municipal assessment remains rental value, it is difficult to see how the problem can be avoided without creating further complications. To obviate this difficulty, two suggestions are sometimes made: (i) municipal property taxes should be assessed not on rental value, but on capital value; and (ii) the assessment of municipal taxes should be made on the basis of "reasonable" and not actual rent. Both the suggestions are open to criticism.)

One can make out a perfectly valid theoretical case for the change-over from rental to capital basis for the assessment of municipal taxation, but the main test of the argument must be the superiority of the suggestion per se, and not the treatment of rent controlled properties in isolation. In fact, in the post-Independence period, at least four official committees have examined the particular suggestion and all have favoured status quo.

(The second suggestion for the adoption of notional instead of actual rent has, in fact, been made by one such recent committee. The argument advanced is curious and deserves to be quoted in full:

"Whether a family or group of persons lives in a house whose rent has either been frozen or is contractual, the occupants enjoy the same amenities. Whatever may be the justification for freezing rent at the old rates, the Committee see no reason why two occupants of similar houses, one old and the other new, enjoying almost the same standard of

services, should be treated differently in the matter of payment of property taxes."¹ Apart from the narrow departmentalism obvious in the argument, this is open to two serious objections: (a) there is no quid pro quo implicit in the assessment of taxes - Central, State and Local; and (b) there is no inequity involved in taxing the rent controlled property in terms of actual rent from the point of view of the tax payer. The original inequity between the uncontrolled and controlled property owners would in fact be accentuated by the adoption of notional rent. It is unnecessary to examine the position of the tenants in this context, because the formal burden of property taxation falls on the owner, and not on the occupier. The implicit suggestion to compel the occupier to pay enhanced taxes through an amendment in municipal legislation, really cuts across the purpose of rent control and must be examined from the broader angle of its raison d'etre.

In fact, the municipal authorities can adopt differential rates of taxation and impose higher taxes on newer buildings without attracting judicial strictures or making special pleading to the State legislatures. Similarly, improvement in the assessment of property valuation and its collection would raise municipal revenues to a considerable extent. If the municipal authorities are not prepared to face the political consequences of increasing the burden of direct taxes, there is hardly any justification for claiming tax compensation through a change-over from actual to notional rent. In fact, one can argue that since the loss in municipal revenue is due to specific State action, the State governments must compensate the municipal bodies out of state revenue as a compensatory grant.

1. Report of the Rural-Urban Relationship Committee, Government of India, (Ministry of Health and Family Planning), Vol.I, Delhi, 1966, p.97.

Moreover, even if the municipal laws are changed to substitute notional for actual rent as the basis of valuation of urban property, it is not at all certain that the courts would recognise this in the absence of specific 'non-obstantate' clause. We have already discussed the difficulties of introducing mutually conflicting 'non-obstantate' clauses in parallel legislations and suggested their rationalisation.)

(b) Repairs of old buildings: In the course of our discussion on the problem of repairs and maintenance of old buildings, we have mentioned the difficulty of ascribing this wholly to rent restrictions; although, the possibility of frozen rent acting as an additional burden on such properties has not been ruled out. Recently, the Maharashtra government is reported to be considering the establishment of a Rent Repairs Board for the State to be financed out of loans and a special cess on tenants of controlled houses. In case of the refusal by the tenants to pay the cess, the protection under the rent control Act would be withdrawn and the landlords could obtain vacant possession of the premises for undertaking necessary repairs.² It is also reported that under conditions prevailing in Bombay, repairs to an average building would cost anything between Rs.500 to Rs.2,000 and the amount spent cannot be recovered in less than three to four years with permitted increase in rent. Under the circumstances, the landlords are anxious that their buildings should collapse, whereby they could sell the site at an inflated price.

This is exactly what we have already anticipated for the central and business localities, although we hazarded the guess that a shrewd landlord would lease the land in those areas rather than sell it. In any case, the reported move is again another instance of a partial

2. "Housing Problems in Bombay: Maharashtra Letter", reported in National Herald (Delhi edition), August 3, 1968.

approach to the rent control problem. Even if repairs are properly and promptly undertaken by the Board, and assuming these turn out to be cheaper than the landlords' performance - all doubtful propositions indeed! - this is not the only item of the landlords' outgoings, nor the only factor in calculating the net return to investment. Not surprisingly, the municipal corporation's committee which examined the proposal found it rather limited and feared that it might create new problems.

Further Information and Research

In the course of our analysis, we have often expressed despair on account of lack of information or knowledge regarding various aspects of the housing situation. This is almost universal, although in India the position is understandably worse compared to the developed countries. The main reason for lack of basic information is perhaps the low priority accorded to housing in our development programmes as also the lack of any comprehensive commitment on the part of the government - Central, State and local - with regard to housing. The fact that housing statistics is being collected and research in housing undertaken or sponsored by the Central Government may be interpreted to mean that we are a step ahead of other western countries during comparable stages of economic development. But, information and research are no substitutes for action and it would be a pity if the available knowledge regarding housing needs, conditions, demand, supply, market, finance etc. are not put to their proper use in terms of application. Otherwise, a stage will be reached when the "costs" of such intelligence would far outweigh the "benefits" of public expenditure. Secondly, availability of information and research findings are no guarantee of sound

decision-making in government. For, decision-making in government is a complex process which can not be derived from research alone. At the same time, applied research in housing can contribute substantially to the improvement of the quality of decisions on public policy by reducing the area of ignorance. The following suggestions regarding new areas of needed information and studies in the specific field of rent control and housing are made with these considerations in mind:

Statistical Information

1. Periodical censuses on vacancies and their duration in residential houses;
2. Systematic intelligence on urban land prices and land use;
3. Information on family composition, family formation, household income and expenditure;
4. Information on housing stock - its age-composition, ownership, level of rent, quality, level of maintenance, utilisation, new construction activities, and so on.

Surveys and Research

5. Demand studies on consumer preferences of housing facilities;
6. Study of mortgage financing of dwellings;
7. A major study on urban property tax as recommended by the Ford Foundation Team on Urban Housing³;
8. Study on the relations between land-lords and the tenants;
9. A major study on the productivity of housing as an investment in human resources;
10. Study reviewing the existing social housing schemes.

3. L. Winnick, et.al., India's Urban Housing, op.cit., Vol.I, pp.49-50.

A P P E N D I C E S

Appendix - A

(Questionnaire)

Schedule List No.1 (For owners only)

(1) Identification particulars:

- 1.1. Serial number
- 1.2. City/Municipal Ward
- 1.3. Zone/Colony
- 1.4. House number
- 1.5. Name of the owner
- 1.6. Name of the informant
- 1.7. Income (annual)
- 1.8. Profession
- 1.9. Informant's relation to owner
- 1.10. Address of the owner

(2) Investigation particulars:

- 2.1. Name of the Investigator
- Date of the survey
- 2.2. Name of the Scrutiniser
- Date of scrutiny

(3) Particulars of the house:

- 3.1. Year in which constructed.....

| <u>Initial</u> | <u>Additional</u> |
|----------------|-------------------|
| Yr. Amount | Yr. Amount |

- 3.2.1. Cost of land
- 3.2.2. Cost of construction
- 3.2.3. Cost of furniture and fittings
- 3.2.4. Total (Rs.)

- 3.3.1. Present rent (monthly) (Rs.)
- 3.3.2. Rent after construction (Rs.)
- 3.3.3. Subsequent changes

| Year | Month |
|------|-------|
|------|-------|

- 3.4. Annual expenses
 - 3.4.1. Interest paid (if any) (Rs.)
 - 3.4.2. Repairs and maintenance (Rs.)
 - 3.4.3. Local Taxes paid (property) (Rs.)
 - 3.4.4. Other taxes paid (Rs.)
 - 3.4.5. Insurance (Rs.)
 - 3.4.6. Remuneration to brokers and rent-collectors (Rs.)
 - 3.4.7. Other expenses (Rs.)

- 3.5.1. Purpose for which the house was constructed:

- 1) Owner occupancy
- 2) Partial owner occupancy
- 3) Complete tenancy

- 3.5.2. Whether there is a change in the purpose on account of 'rent control'?

- 1) Yes
- 2) No.

- 3.6. Source of financing for:

- a) Construction

- 1. Savings
- 2. Proceeds of sale of ancestral house

3. Proceeds of sale of ancestral property other than house
4. Loans from co-operative housing society
5. Loans from government (Housing Scheme)
6. Loans from LIC
7. Others (specify)

b) Purchase

1. Savings
2. Proceeds of sale of ancestral house
3. Proceeds of sale of ancestral property other than house
4. Loans from co-operative housing society
5. Loans from government (housing Scheme)
6. Loans from LIC
7. Others (Specify)

c) Inheritance

3.7. What factors, in your opinion, affect the rate of house construction (specify)?

- 1)
- 2)
- 3)

3.8.1. Whether the owner favours:

- 1) Leasing the building
- 2) Annual rental
- 3) Monthly rental

3.8.2. If for leasing, reasons (specify):

- 1)
- 2)
- 3)

(4) Particulars relating to rent control aspects

4.1. Whether the owner is aware of the Rent Control Act?

1. Yes

2. No

4.2. Whether Rent Control Act was applicable at the time of construction/purchase of the house?

1. Yes

2. No

4.2.1. If yes, whether the owner was aware of the Rent Control Act at the time of construction/purchase of house?

1. Yes

2. No

4.3.1. Whether the owner owns any other house?

1. Yes

2. No

4.3.2. If yes:

| S.No. | House No. | Zone/ Colony; if another town, name please | Year of Construc- tion | Year of Purchase | Ances- tral house | Type RA RNA | Cost Rs. | Purpose for whi- ch the house is used |
|-------|-----------|--|------------------------|------------------|-------------------|-------------|----------|---------------------------------------|
|-------|-----------|--|------------------------|------------------|-------------------|-------------|----------|---------------------------------------|

R.A. = Rent Control Act applicable

R.N.A. = Rent Control Act not applicable

4.4.1. Preference of the owner for the disposal of his savings:
(Mode of disposal)

0) Purchasing durable consumer goods

1) Postal savings bank

2) Government securities

- 3) Shares
- 4) Bank deposits
- 5) Housing
- 6) Purchasing gold ornaments
- 7) Investing in direct business
- 8) Money lending
- 9) Others

4.4.2. If the preference is for investing in 'housing';

- a) Return (% of the capital) expected per annum
- b) Purchase or construct a house if there is rent control
 - 1) Purchase a house
 - 2) Construct a house
- c) Purchase or construct a house if there is no rent control
 - 1) Purchase a house
 - 2) Construct a house

4.4.3. If you purchase:

- 1) Purchase a house without any reference to the date of construction
- 2) Purchase a house prior to the introduction of rent control
- 3) Purchase a house to which Rent Control Act is not applicable

4.4.4. If you construct a house, what are the procedural difficulties in getting necessary sanctions from the following authorities:

- 1) Property registration authorities
- 2) Municipal authorities
- 3) Development authority
- 4) Public utility authorities (e.g.- water, electricity etc.)
- 5) Authorities distributing permits for cement and steel

4.4.5. To what extent do you think these difficulties will affect your decision in investing in housing?

- 1) To a great extent
- 2) To some extent
- 3) Not at all

4.5.1. Whether the owner was a tenant before owning the house?

- 1) Yes
- 2) No

4.5.2.1. If yes whether he had any dispute with the owner?

- 1) Yes
- 2) No

4.5.2.2. If yes, whether the dispute was settled by 'rent controller'?

- 1) Yes
- 2) No

4.5.2.3. If yes, whether the decision of the rent controller influenced him to own a house?

- 1) Yes
- 2) No

4.6. Whether the owner would like this house to be exempted from rent control? (specify reasons)

- 1)
- 2)
- 3)
- 4)

4.7. Has the rent control affected to owner to:

- | | | | |
|----|---------------------------|--------|--------|
| a) | i) Fair rent | 1. Yes | 2. No. |
| | ii) Permanency of tenancy | 1. Yes | 2. No |
| | iii) Reasonable repairs | 1. Yes | 2. No |

b) Has the absence of rent control affected the owner to

- | | | |
|---|--------|-------|
| i) Fair rent | 1. Yes | 2. No |
| ii) Permanency of tenancy | 1. Yes | 2. No |
| iii) Reasonable repairs and maintenance | 1. Yes | 2. No |

4.8. Rent per annum considered to be reasonable
(% of the capital invested) / (Rs.)

4.9. Do you think that if the present rent is increased
a better accommodation would be provided to the
tenants?

1) Yes

2) No

(5) Motive for investing money in housing

5.1. Had you any intention to sell the house after
construction?

1. Yes

2. No

5.2. If you want to sell your house how much you will
demand now? (Rs.)

5.3. How many houses you constructed during the period
1951-65?

5.4. How many of them you sold?

5.5. Reasons for selling:

1)

2)

3)

5.6. Do you think that if there is no Rent Control
Act, there will be more construction?

1) Yes

2) No

5.7. How do you think the Rent Control Act should be relaxed or tightened?

- 1)
- 2)
- 3)
- 4)

(6) Relation between owner and tenants

6.1. Nature of relation between owner and tenant

- a) Good
- b) Bad
- c) Indifferent
- d) Can't say

6.2.1. Whether the owner has visited the Rent Controller's office for fixation of rent?

- 1) Yes
- 2) No

6.2.2. If yes, the nature of dispute:

- 1) The owner wants to get the house vacated
- 2) The rent is very low, the owner wants to increase the rent
- 3) Rent is not paid as per arrangements
- 4) Others (specify)

6.3.1. Do you give receipts for the rent paid by the tenants?

- 1) Yes
- 2) No

6.3.2. If no, why not?

- 1)

2)

3)

6.4. How many tenants have shifted from your house during the last 15 years?

6.5. If shifted, main reasons for shifting:

1)

2)

3)

4)

6.6.1. Whether the owner favours change of tenants?

1) Yes

2) No

6.6.2. If so, why?

1)

2)

3)

4)

6.6.3. If no, why?

1)

2)

3)

6.6.4. Do you have any particular preference for:

1) Fixed income earners

2) Married couples

3) Food habits

4) Particular regions (specify)

5) Others

6.6.5. Do you accept a lump sum from the tenant at the time of his occupying the house?

1) Yes

2) No

(7) Opinion of the owner regarding rent control

7.1.1. Whether the owner favours rent control:

1) Yes

2) No

3) Indifferent

7.1.2. If yes, whether it should be applicable to all the houses, irrespective of the date of construction of the houses?

1) Yes

2) No

7.1.3. If no, the type of houses to which it should be applicable (specify)?

1)

2)

3)

4)

7.2. Whether the owner favours flexibility in rent control?

1) Yes

2) No

7.3. Whether the owner favours review of rent?

a) After periodical intervals (years)

b) With the rise or fall in

i) cost of living

- 2) Cost of material
- 3) Bank interest rate on long term fixed deposits
- 4) Others (specify)

7.4. Whether the owner would like to rent out a house subject to rent control?

- 1) Yes
- 2) No

7.5.1. Whether the owner thinks that there is a shortage of house in the city?

- 1) Yes
- 2) No

7.5.2. If yes, reasons:

- 1) Non-availability of developed land for construction of new houses
- 2) Scarcity of building material
- 3) Rent control
- 4) Others (specify)

7.6. Whether the owner favours rent control for a definite period?

- 1) Yes
- 2) No

Schedule No.2 (For tenants only)

(1) Identification particulars

- 1.1. Serial number
- 1.2. City/Municipal ward
- 1.3. Zone/Colony
- 1.4. House number
- 1.5. Name of the owner and his permanent address
- 1.6. Name of the tenant
- 1.7. Income (annual)
- 1.8. Profession
- 1.9. Name of the informant
- 1.10. Informant's relation to the tenant

(2) Investigation particulars

- 2.1. Name of the investigator
Date of survey
- 2.2. Name of the scrutiniser
Date of scrutiny

(3) Particulars of the dwelling and the tenants

- 3.1. Rooms occupied
- 3.2. Floor area (square feet)
- 3.3. Rent paid last month
- 3.4. Date of occupation of the house

- 3.5. Occupation of the tenant
- 3.6. Size of the house-hold of the tenant
- 3.7. Average monthly income of the household during the last year

Rs.

3.8.1. Whether the tenant favours:

- 1. Taking the building on annual rental
- 2. " " " " lease
- 3. " " " " monthly rental

3.8.2. If the preference is for lease, reasons (specify)

- 1.
- 2.
- 3.

(4) Particulars of the rent control aspects

4.1. Whether the tenant is aware of the Rent Control Act?

- 1. Yes
- 2. No

4.2. Whether the Rent Control Act was applicable at the time of occupancy?

- 1. Yes
- 2. No

4.3. Whether the Rent Control Act was applicable to the dwelling after the occupancy?

- 1. Yes
- 2. No

4.4.1. Whether the present accommodation is sufficient for the need of the tenants

- 1. Yes
- 2. No

4.4.2. If no, the present minimum requirements of the tenant

- a) Number of rooms
- b) Floor area
- c) Other facilities required (specify)

4.5. Whether the tenant can find accommodation of the type desired?

- 1. Yes
- 2. No

4.6. Whether the dwelling is available at reasonable rent?

- 1. Yes
- 2. No

4.7. Whether the dwelling falling under Rent Control Act is easily available for rent?

- 1. Yes
- 2. No

4.8.1. Whether rent of the present dwelling was raised during tenancy?

- 1. Yes
- 2. No

4.8.2. If yes:

- a) Rent paid for the first month of tenancy
- b) Rent paid after revision
- c) Reasons for increase in rent

- 1.
- 2.
- 3.
- 4.

4.9.1. Did you have to pay a lump sum to the owner before occupying the house?

- 1. Yes
- 2. No

4.9.2. If yes, how much (in terms of monthly rent)?

4.10.1. Did you pay to the broker?

1. Yes

2. No

4.10.2. If yes, how much (in terms of monthly rent)?

4.11. Would you prefer to invest money in housing through following ways?

1. Purchase a house if there is rent control

2. Construct a house if there is rent control

3. Purchase a house if there is no rent control

4. Construct a house if there is no rent control

4.12.1. Do you have a house of your own in Delhi?

1. Yes

2. No

4.12.2. If no, why?

1. Non-availability of land for construction of a house

2. Lack of financial resources

3. Low return

4. Others (specify)

4.13.1. If the tenant is living in a house subject to rent control, would he like to shift to one not subject to rent control?

1. Yes

2. No

4.13.2. If no, why?

1.

2.

3.

4.14.1. If the tenant is living in a house not subject to rent control, would he like to shift to one subject to rent control?

1. Yes

2. No

4.14.2. If so, why?

1.

2.

3.

4.

(5) Relation between tenant and owner

5.1. Nature of relations between tenant and owner

1. Good

2. Bad

3. Indifferent

4. Can't say

5.2. Whether they quarrelled or engaged in disputes (legal or otherwise)?

1. Frequently

2. Occasionally

5.3.1. Whether the tenant had visited the Rent Controller's office for fixation of rent of the dwelling?

1. Yes

2. No

5.3.2. If yes, the nature of dispute

1. The owner wants to get the house vacated

2. The owner wants to increase the rent

3. Rent is not paid as per arrangements

4. Others (specify)

5.4.1. Do you get receipts for the amount paid as rent?

1. Yes

2. No

5.4.2. If no, why?

1.

2.

3.

5.5. How many dwellings you shifted during the last 15 years?

5.6. If shifted, main reasons for shifting:

1.

2.

3.

4.

5.7.1. Do you favour to change this dwelling?

1. Yes

2. No

5.7.2. If yes, why?

1.

2.

3.

5.7.3. If no, why?

1.

2.

3.

(6) Opinion of the tenant regarding rent control

6.1.1. Whether the tenant favours rent control?

1. Favours rent control
2. Does not favour rent control
3. Indifferent

6.1.2. If favours, whether it should be applicable to all the houses irrespective of the date of construction of the house?

1. Yes
2. No

6.1.3. If no, the type of houses to which it should be applicable (specify)?

6.2. Whether the tenant favours flexibility in rent control?

1. Yes
2. No

6.3.1. Do you feel that the present Rent Control Act should be tightened to give full protection to the tenants?

1. Yes
2. No

6.3.2. If yes, what amendments would you suggest?

- 1.
- 2.
- 3.
- 4.

6.4. Whether the tenant favours review of rent:

- a) After periodic intervals (Years)
- b) With the change in :

1. cost of living
2. cost of material
3. bank interest rate on long term fixed deposit
4. Others.

6.5. If yes, for how many years?

6.6. Any other difficulties experienced by the tenant regarding the operation of Rent Control Act (please elaborate)

Appendix - B

STATISTICAL ANALYSIS OF THE MOTIVE
FOR INVESTING MONEY IN HOUSING

-by K.G. Kurian

The purpose of this analysis is to measure the effect of the owners' knowledge of the rent control Act and the type of relationship they have with their tenants, on their motive for investing money in housing in Delhi. To motivate the people to construct more and more houses in the private sector a favourable climate is needed. But the rent control Act of Delhi fixes the rent of the houses which cannot be revised upwards. As a result, the house owners are prevented from charging more in order to compensate them for any rise in the cost of living and cost of materials for construction. Eviction of the tenant is also made extremely difficult. In other words, the object is to find out the impact of the restrictive nature of the Act on the motive for investing money in housing.

The two variables, the house owners knowledge of the Act and the type of relationship of the house owner with the tenants explains only 9% of the peoples' motive for investing money in housing. As the subject of this analysis is only to measure the impact of the present rent control Act, the other variables like availability of the developed land, loans for constructing the houses, the difficulties of getting sanctions from the Corporation etc. which are likely to influence the motive, are not considered.

Hypotheses: The hypotheses we framed to test the effect of the Rent Control Act are: (i) higher the knowledge of the rent control Act, less the motive for investing money in housing; (ii) worse the relationship of the owners with their tenants, less the motive for investing money in housing.

Method: Responses of the house owners to each question under these three different variables were assigned differential scores to differentiate one respondent from another. The scores under each variable were then added to obtain the corresponding indices. These indices are called the index of motive, index of knowledge, and index of harmony.

The distribution of these indices are then classified into three groups - low, medium and high by using the quartiles. All those people who have secured less than the limit of the first quartile form the low group and those having scores above the third quartile limit form the high group and all those who secured scores between these two limits from the medium group. This grouping gives a clear picture of the type of respondents and extent of their knowledge, motivation and the type of relationship with their tenants. The cumulative distribution of these indices and the limits of the quartiles to each index are as shown in Graph I.

Forty-three percent of the respondents have only low knowledge of the rent control Act. The percentage of respondents with the medium knowledge of 41. Only 16% of the respondents have high knowledge of the rent control Act.

Thirtynine percent of the respondents have low motive for investing money in housing where as the percentage of respondents with the medium motive is 57 and with high motive is 4.

The low, medium and high score groups of the variable, the relation between the owner and the tenants, contain 36%, 48% and 16% of the respondents. The medium groups on these three variables have the maximum number of respondents.

To find out the relationship between these factors the correlation analysis is done and the results are presented below.

The correlation between the index of motive for investing in housing and the index of knowledge is $r = 0.299$ which is highly significant (at the 1% level). The index of motive for investing money in housing depends on the Index of knowledge (See Graph II).

The index of motive for investing money in housing is independent of the index of harmony ($r = 0.027$) (See Graph III).

The variables index of knowledge and the index of harmony are not significantly correlated ($r = 0.278$). The index of harmony is independent of the index of knowledge (See Graph III).

The correlation between the index of motive for investing money in housing and the index of knowledge after eliminating the effect of the variable index of harmony is significant at the 1% level ($r_{12.3} = 0.304$). The index of motive for investing money in housing is negatively correlated with the index of harmony after eliminating the effect of the index of knowledge ($r_{13.2} = 0.061$).

The multiple correlation co-efficient ($R_{s.1.23} = 0.304$) between the index of motive for investing money in housing and the index of knowledge and the index of harmony is significant at the 1% level.

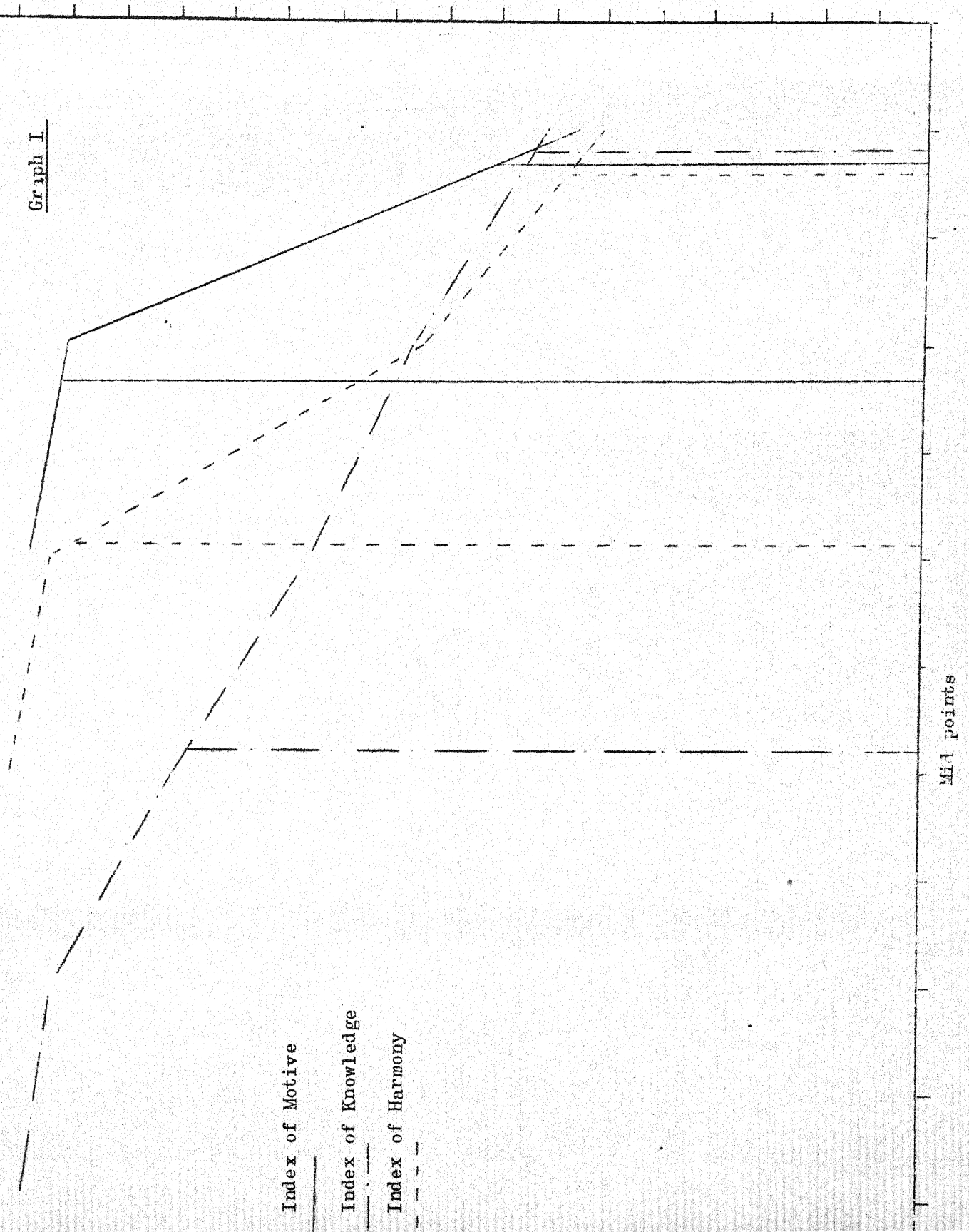
The analysis of the data reveals that:

- 1) Higher the motive for investing money in housing higher the knowledge of the rent control Act.
- 2) The motive for investing money in housing is not affected by the type of relationship between the land lords and the tenants.
- 3) The knowledge of the Rent Control Act depends upon the type of relationship between the land lords and the tenants.
- 4) After eliminating the effect of the variable, the type of relationship between the landlords and the tenants, the motive for investing money in housing depends on the knowledge of the Act.
- 5) After eliminating the effect of the variable the knowledge of the Rent Control Act, the motive for investing money in housing is not affected by the type of relationship between the landlords and the tenants.
- 6) Higher the knowledge of the Rent Control Act and better the relationship between the landlords and the tenants, higher the motive for investing money in housing.

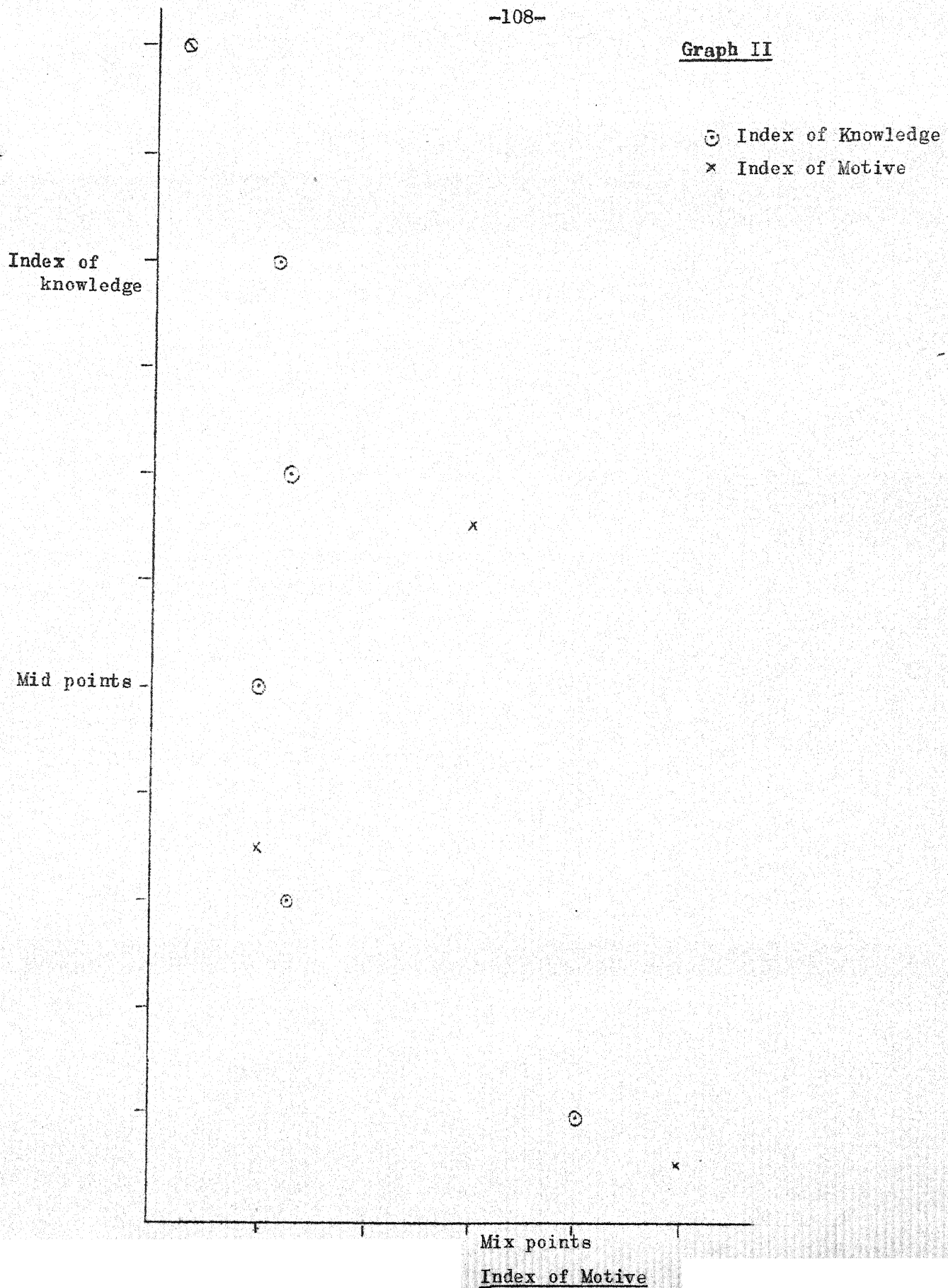
It may be concluded from the above analysis that the present rent control Act does not discourage the people to invest money in housing.

Cumulative Frequency

Graph I



Graph II



Graph III

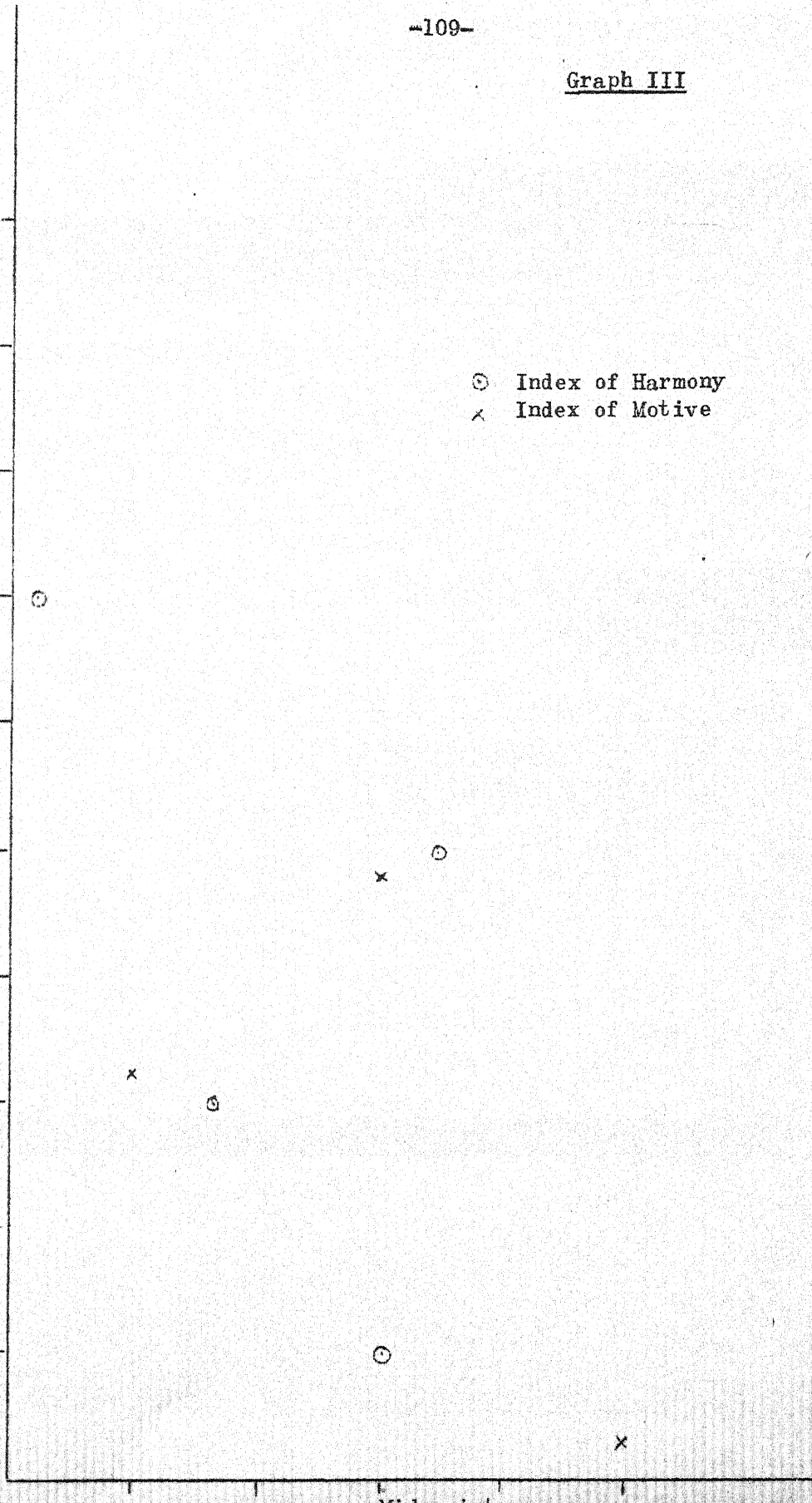
Index of
Harmony

○ Index of Harmony
x Index of Motive

Mid points

Mid points

Index of Motive



Graph IV

